

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

FORM 3

AMENDED REPORT ☐
(highlight changes)

APPLICATION FOR PERMIT TO DRILL				5. MINERAL LEASE NO: ML 47575		6. SURFACE: State	
1A. TYPE OF WORK: DRILL <input checked="" type="checkbox"/> REENTER <input type="checkbox"/> DEEPEN <input type="checkbox"/>				7. IF INDIAN, ALLOTTEE OR TRIBE NAME:			
8. TYPE OF WELL: OIL <input checked="" type="checkbox"/> GAS <input type="checkbox"/> OTHER _____ SINGLE ZONE <input type="checkbox"/> MULTIPLE ZONE <input checked="" type="checkbox"/>				8. UNIT or CA AGREEMENT NAME: Cactus Rose Unit			
2. NAME OF OPERATOR: Tidewater Oil & Gas Company, LLC				9. WELL NAME and NUMBER: Cactus Rose 16-11-2118			
3. ADDRESS OF OPERATOR: 1645 Court Pl, Ste 301 Denver CO 80202				PHONE NUMBER: (303) 468-0656		10. FIELD AND POOL, OR WILDCAT: Cactus Rose Wildcat	
4. LOCATION OF WELL (FOOTAGES) AT SURFACE: 477 FNL, 579 FWL <i>5912724 38.992152</i> AT PROPOSED PRODUCING ZONE: 477 FNL, 579 FWL <i>43162264 -109.946110</i>				11. QTR/QR, SECTION, TOWNSHIP, RANGE, MERIDIAN: NWNW 16 21S 18E			
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE: 13 mi. to Green River, UT				12. COUNTY: Grand		13. STATE: UTAH	
15. DISTANCE TO NEAREST PROPERTY OR LEASE LINE (FEET) 477		16. NUMBER OF ACRES IN LEASE: 640		17. NUMBER OF ACRES ASSIGNED TO THIS WELL: 160			
18. DISTANCE TO NEAREST WELL (DRILLING, COMPLETED, OR APPLIED FOR) ON THIS LEASE (FEET) + 5000 ft		19. PROPOSED DEPTH: 5,500		20. BOND DESCRIPTION: Single Well - 394312372623			
21. ELEVATIONS (SHOW WHETHER DF, RT, GR, ETC.): Ground level, GL= 4739.0'		22. APPROXIMATE DATE WORK WILL START: 5/30/2007		23. ESTIMATED DURATION: 14 days			

24. PROPOSED CASING AND CEMENTING PROGRAM							
SIZE OF HOLE	CASING SIZE, GRADE, AND WEIGHT PER FOOT			SETTING DEPTH	CEMENT TYPE, QUANTITY, YIELD, AND SLURRY WEIGHT		
12.25"	8 5/8"	K55	24	500	Type III cement w/ .2%	300 CF	14.5 ppg
7 7/8"	5.5	K55	15.5	5,500	Halli CBM lite Type I	500 CF	13.5 ppg
					Halli CBM lite Type II	500 CF	13.5 PPG
					2 STAGE CEMENT		

25. ATTACHMENTS	
VERIFY THE FOLLOWING ARE ATTACHED IN ACCORDANCE WITH THE UTAH OIL AND GAS CONSERVATION GENERAL RULES:	
<input checked="" type="checkbox"/> WELL PLAT OR MAP PREPARED BY LICENSED SURVEYOR OR ENGINEER <input checked="" type="checkbox"/> EVIDENCE OF DIVISION OF WATER RIGHTS APPROVAL FOR USE OF WATER	<input checked="" type="checkbox"/> COMPLETE DRILLING PLAN <input type="checkbox"/> FORM 5, IF OPERATOR IS PERSON OR COMPANY OTHER THAN THE LEASE OWNER

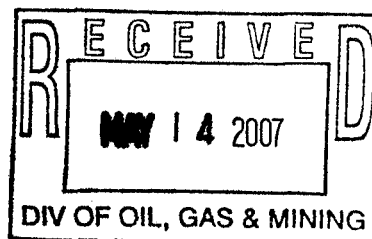
NAME (PLEASE PRINT) R.E. Knight TITLE Agent
 SIGNATURE *R.E. Knight* DATE 5/7/2007

(This space for State use only)

API NUMBER ASSIGNED: 43-019-31546

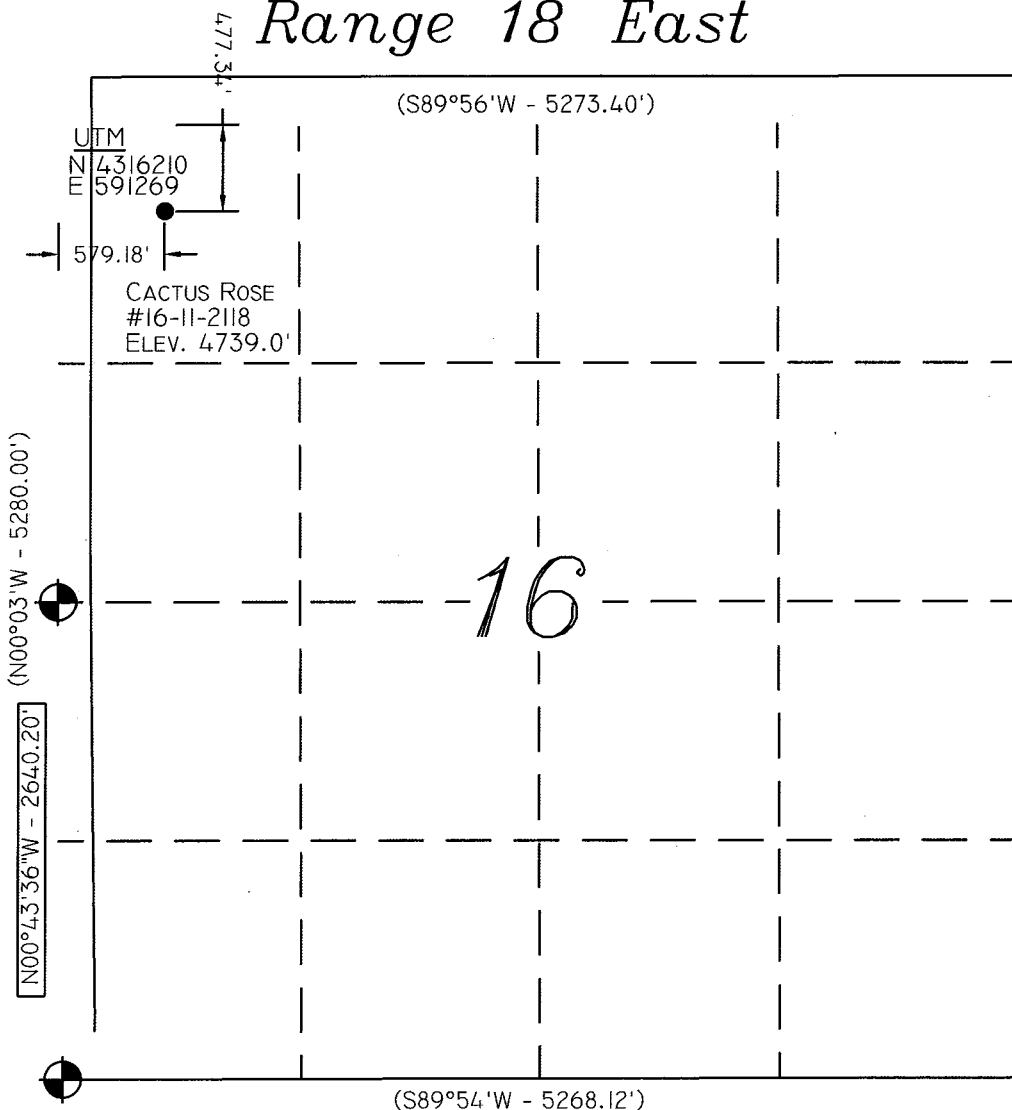
**Approved by the
Utah Division of
Oil, Gas and Mining**

Date: 07-12-07
 By: *[Signature]*



Township 21 South

Range 18 East



Legend

- Drill Hole Location
- ⊙ Metal Cap (Found)
- Brass Cap (Searched for, but not found)
- △ Calculated Corner
- () GLO

GPS Measured

NOTES:

1. UTM and Latitude / Longitude Coordinates are derived using a GPS Pathfinder and are shown in NAD 27 Datum.

LAT / LONG
38°59'31.231"N
109°56'46.115"W

Location:

The well location was determined using a Trimble 5700 GPS survey grade unit. The Basis of Bearing is GPS Measured.

Basis of Bearing:

GLO Bearing:

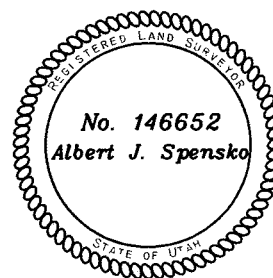
The Bearings indicated are per the recorded plat obtained from the U.S. Land Office. Basis of Elevation of 4601' being at the Southwest Section Corner of Section 17, Township 21 South, Range 18 East, Salt Lake Base and Meridian, as shown on the Hatch Mesa

Quadrangle 7.5 minute series T21S, R18E, S.L.B.&M., being South 477.34' from the North Line of Section 16, T21S, R18E, Salt Lake Base & Meridian.

Description of Location:

Proposed Drill Hole located in the NW 1/4 NW 1/4 of Section 16, and East 579.18' from the West Line

Surveyor's Certificate: a Registered Professional Land Surveyor, holding Certificate 146652 State of Utah, do hereby certify that the information on this drawing is a true and accurate survey based on data of record and was conducted under my personal direction and supervision as shown hereon.



TALON RESOURCES, INC.

Office: 409 East 300 S. P.O. Box (435) 687-5311
Huntington, Utah 84528

E-Mail talon @etv.net

TIDEWATER
Cactus Rose #16-11-2118
Section 16, T21S, R18E, S.L.B.&M.
Grand County, Utah

Drawn By:
N. BUTKOVICH

Drawing No.
A-1

Checked By:
L.W.J./A.J.S.
Date:
5/8/07

Sheet of

Scale:
1" = 1000'

1 4

Job No.
2849

GRAPHIC SCALE

0 500' 1000'

(IN FEET)

1 inch = 1000 ft.

TIDEWATER OIL & GAS COMPANY LLC

1645 Court Place, Suite 301

Denver, Colorado 80202

(303) 468-0656

May 11, 2007

Utah Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801

Re: Application for Permit to Drill – Location Exception Letter

Cactus Rose 16-11-2118

NWNW Sec 16, T21S, R18E

477 FNL, 579 FWL

grd level = 4739.0'

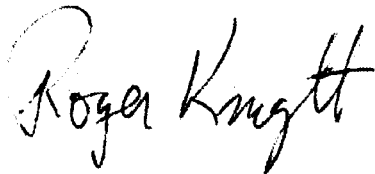
ML-47575

Dear Utah Division of Oil, Gas & Mining:

Tidewater Oil & Gas, LLC requests a permit to drill an exception location for **Cactus Rose 16-11-2118**. Tidewater Oil & Gas has lease ML- 47575 which covers all of section 16. Tidewater also controls all offset acreage. This location is part of the Cactus Rose Unit. Tidewater is the only owner within a 460' radius of the proposed location. The exception is requested due to topography restrains of the area.

Your assistance in rectifying this matter would be greatly appreciated. If you have questions, please call me at (303)808-5672.

Thank You,
Tidewater Oil & Gas Company, LLC



R. E. Knight
Agent

Cactus Rose 16-11-2118

NWNW Sec 16, T21S, R18E

477 FNL, 579 FWL

grd level = 4739.0'

ML-47575

Tidewater Oil & Gas, LLC

James Jones, Manager

1645 Court Pl, Ste 301, Denver, Co. 80202

303-468-0656

Cactus Rose 16-11-2118

NWNW Sec 16, T21S, R18E

477 FNL, 579 FWL

grd level = 4739.0'

ML-47575

2 - Lease Type

State Lease – ML-47575

3 - Location Plat

Attached

4 - Water Rights

Water used for drilling and completion operations will be purchased from the Thompson Springs Water District for this project.

5/6 - Estimated Formation Tops

FORMATION		Md, FT
Mancos shale		0
Dakota ss	HC	2702
Cedar Mountain	HC	2880
Curtis Moab Tongue	HC	3650
Carmel	HC	4105
Navajo	HC	4400
Kayenta	HC	4716
Wingate	HC	4950
Chinle	HC	5350
TD		5500

Cactus Rose 16-11-2118

NWNW Sec 16, T21S, R18E

477 FNL, 579 FWL

grd level = 4739.0'

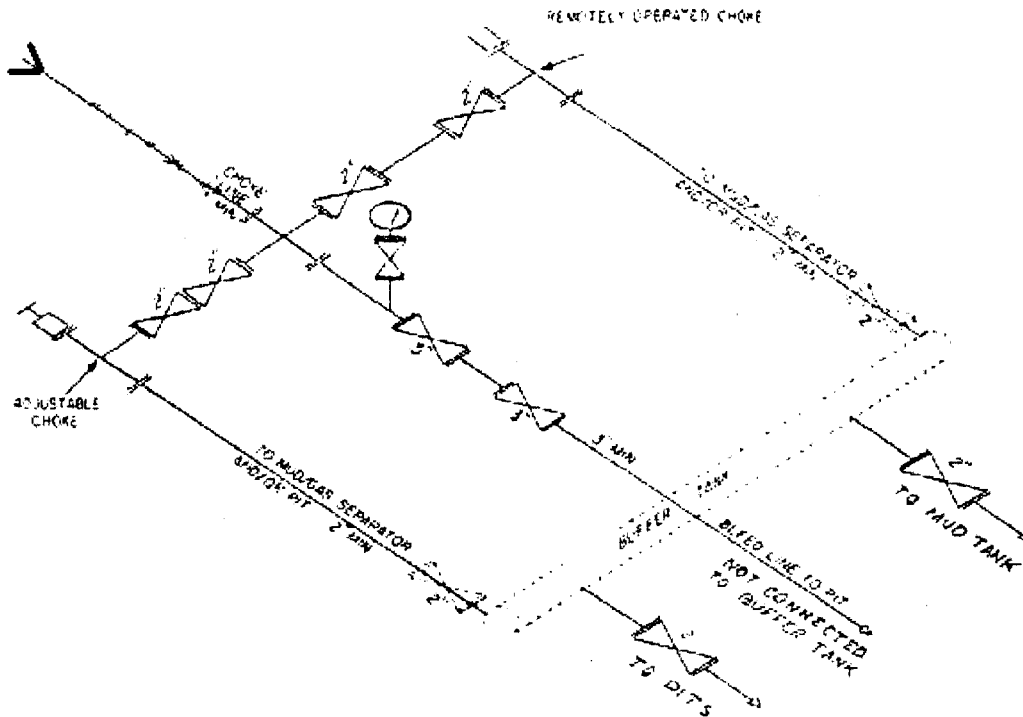
ML-47575

Anticipated Water bearing formations

Surface casing set and cemented to 500' will isolate and protect any potential fresh water zones encountered. Any other water or hydrocarbon bearing zones below 500' will be isolated with casing and cement when the well is cased.

7 - Pressure Control Equipment

Well will utilize a 3000 psi BOP. The BOP will have a pipe rams, blind rams and a hydril. A rotating head will be utilized while drilling with air. All BOPs will be tested to 3000 psi when the equipment is installed and if the integrity of the pressure control system is compromised during drilling operations.



3M CHOKER MANIFOLD EQUIPMENT — CONFIGURATION MAY VARY

Cactus Rose 16-11-2118

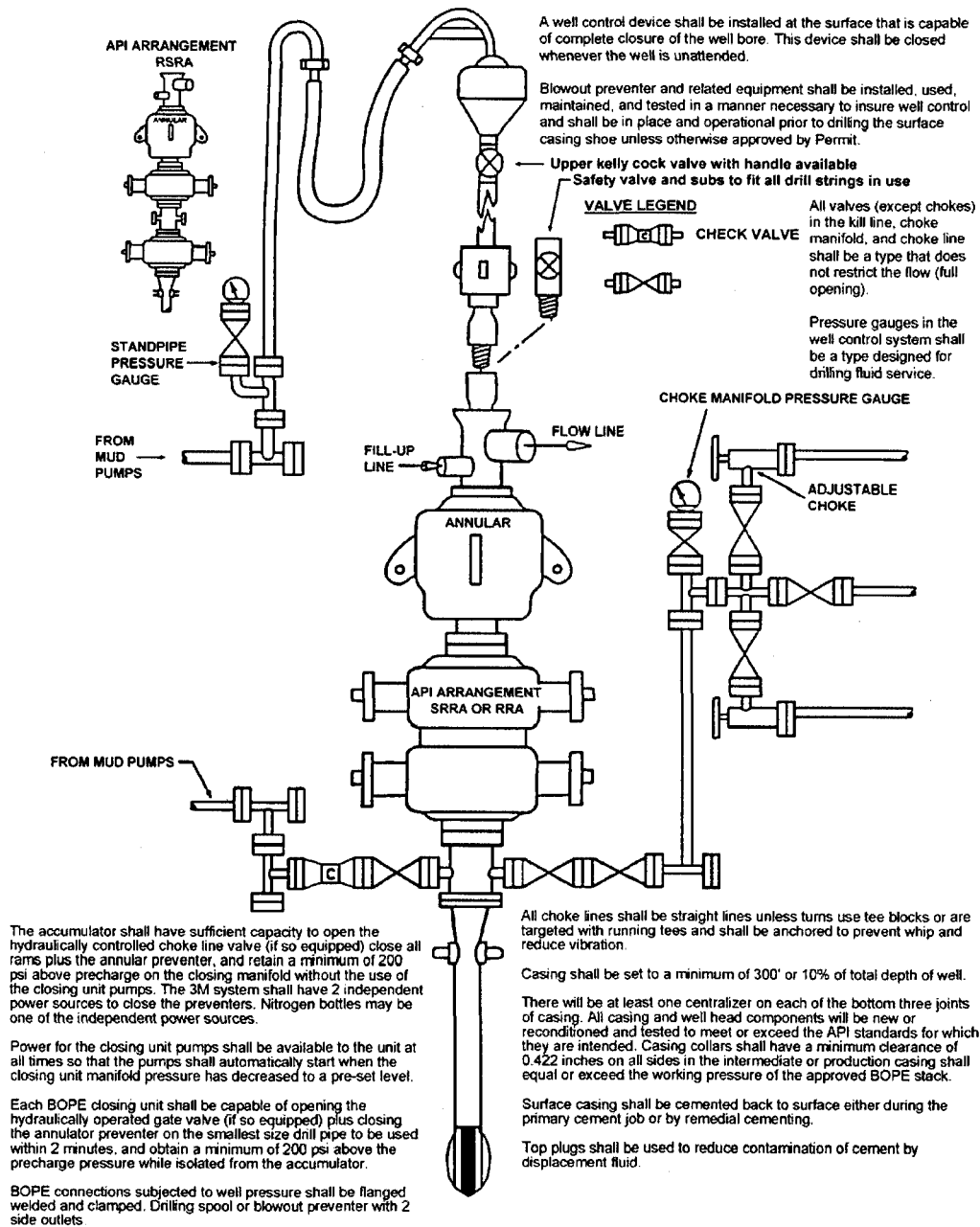
NWNW Sec 16, T21S, R18E

477 FNL, 579 FWL

grd level = 4739.0'

ML-47575

Minimum Standards for Well Control Equipment 4000' to 10,000': API 3M RRA or RSRA



Cactus Rose 16-11-2118

NWNW Sec 16, T21S, R18E

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grd level = 4739.0'

ML-47575

iii. 3M system:

- Annular preventers *
- Double ram with blind rams and pipe rams *
- Drilling spool, or blowout preventer with 2 side outlets (choke side shall be a 3-inch minimum diameter, kill side shall be at least 2-inch diameter) *
- Kill line (2 inch minimum)
- A minimum of 2 choke line valves (3 inch minimum) *
- 3 inch diameter choke line
- 2 kill line valves, one of which shall be a check valve (2 inch minimum) *
- 2 chokes (refer to diagram in Attachment 1)
- Pressure gauge on choke manifold
- Upper kelly cock valve with handle available
- Safety valve and subs to fit all drill string connections in use
- All BOPE connections subjected to well pressure shall be flanged, welded, or clamped *
- Fill-up line above the uppermost preventer.

Violation: Minor (all items unless marked by asterisk).

Corrective Action: Install the equipment as specified.

Normal Abatement Period: 24 hours.

* Violation: Major.

Corrective Action: Install the equipment as specified.

Normal Abatement Period: Prompt correction required.

Cactus Rose 16-11-2118

NWNW Sec 16, T21S, R18E

477 FNL, 579 FWL

grd level = 4739.0'

ML-47575

8 - Circulating Medium

The well will be drilled utilizing air or air mist.

If required, a nondispersed, low solids ± 9.0 ppg mud will be used in the well to TD.

Adequate weight material will be on location to be able to contain any unforeseen formation pressures during the drilling operations. Viscosity will be maintained at 50 for logging.

Gel/soda ash (no caustic) mud spiked with Drispac-R to help w/ the vis, use only about 7-10 #/BBL GEL and use the Pac to get it up to a 32-34 funnel vis, It all depends on the rig and what kind of pumps they have. You need at least 160-180 past the pipe (AV) to keep your vis this low. and this should keep the WL around 10-12 which

Estimated Mud Program

SPUD MUD

15-20 # PER BBL GEL

2 SACKS CAUSTIC

1-2 SACKS DESCO

MATERIALS

75-100 SACKS GEL

2 SACKS CAUSTIC

1-2 SACKS DESCO

Sulfonated Asphalt 2-3#/ bbl – daily treatment 10-15 sx/day

8# PER BBLS CACL 2.5%

FLUID IS 8.4# PER GAL

½ # PER BBL DRISPAC

Sulfonated ASPHALT PER COMPANY ORDER

TO RAISE VIS TO 40 WITH STARCH OR KLEEN PHASE (TAPIOCA)

BASIC MATERIALS NEEDED FOR 1000 BBLS

80-100# SACKS CACL

10 SACKS DRISPAC

TO LOG

APPROX 150 SACKS STARCH OR 75 SACKS KLEEN PHASE FOR 40 VISCOSITY

Cactus Rose 16-11-2118

NWNW Sec 16, T21S, R18E

477 FNL, 579 FWL

grd level = 4739.0'

ML-47575

9 - Well Testing**Cores**

No cores are planned for this well.

DST

No DSTs are planned for this well.

Mud Logging

An on-site geologist will be on location from surface to total depth. Take samples every 30 feet while air drilling and 15' while drilling with fluid. Hydrocarbon monitoring and detection equipment will be utilized during drilling operations.

Logging Program

The well will be logged from TD to surface casing with a Resistivity log, Gamma Ray log, Compensated Neutron Log, Sonic Log and Dipmeter.

10 - Anticipated Pressures & Potential hazardous conditions

Anticipated formation pressures will be under hydrostatic gradient. Expected bottom hole pressure is estimated to be less than 2500 psi.

No abnormal pressures or temperatures are anticipated.

No hydrogen sulfide gas is anticipated.

Adequate weight material will be on location to be able to contain any unforeseen formation pressures during the drilling operations.

11- Casing Program**Casing**

Run guide shoe and fill-up collar one joint above bottom. Install centralizers on every other joint of casing. Add centralizer across all productive zones. Utilize a DV, 2 stage tool.

Surface pipe – 8 5/8", 24 #/ft, J55

Production – 5 1/2", 15 #/ft, J55

12 - Cementing

An estimated 300 cu. ft = Lead= 330 sx, Type III cement w/ .2% Versaset, .125 #/sx

Cactus Rose 16-11-2118

NWNW Sec 16, T21S, R18E

477 FNL, 579 FWL

grd level = 4739.0'

ML-47575

poly flake, 2% CaCl. 14.5 ppg will be used to cement the casing.

Production string will be cemented from TD and use a 2 stage tool = 1st stage= 500 cf, 90 bbls, 350 sx, Halli CBM lite Type III cement + 2% gel, 0.6% Halad 23, 0.3% halad 322, 0.3%

Verset, 0.2% Super CBL, 0.2% HR-2, 1/8 #/sx poly flake + 5#/ sx gilsonite + 6.39 gal/sx fresh water, wt= 13.5 ppg, yield = 1.45 cf/sx

Tail = 500 cf, 90 bbls, 350 sx, Halli CBM lite Type III cement + 2% gel, 0.6% Halad 23, 0.3% halad 322, 0.3% Verset, 0.2% Super CBL, 0.2% HR-2, 1/8 #/sx poly flake + 5#/ sx gilsonite + 6.39 gal/sx fresh water, wt= 13.5 ppg, yield = 1.45 cf/sx All potential producing zones will be covered with cement.

Drilling Program

1. Move in. Rig up
2. Drill 12 1/2" hole to 500 ft. using native solids. Take directional survey at 250' and at 500'.
3. Run surface pipe to TD. Cement casing in hole from TD to surface. Estimate 300 cf of cement required.
4. Wait 12 hours on cement. Install casing head.
5. Rig up BOPE equipment. Test BOPs to 3000 psi. Test casing to 1500 psi.
6. Drill out cement with 7 7/8" bit. Mud up with low solids dispersed mud. Drill to $\pm 5500'$ Rig up mud logging equipment at 500'. Samples will be taken every 30' from surface casing to top of Navajo while drilling.
7. Drill 7 7/8" hole from 1100' to 5500'. Take deviation survey every 250'. Samples will be taken every 15' from 1100' to total depth. Drill hole to match casing length.
8. Circulate hole at TD and prepare mud for logging.
9. Run Resistivity log, Gamma Ray, Neutron Log, Sonic and Dip meter logs from total depth to surface casing.
10. Run 5 1/2", 15.5 lb/ft production casing to TD. It is anticipated that a 2 stage tool will be used. Cement casing from TD following cementing program list below.

Cactus Rose 16-11-2118

NWNW Sec 16, T21S, R18E

477 FNL, 579 FWL

grd level = 4739.0'

ML-47575

11. Land casing. Set 3000 psi casing head.

12. Rig down. Move rig off location.

13 – Well will be drilled as a straight hole

Deviation

Take deviation survey every $\pm 250'$.

14 – Designation of Agent

Tidewater Oil & Gas, LLC - Contact Phone Number
Roger Knight - 303-808-5672

15 - Bond

One well Bond

16- Affidavit of Surface agreement

17 - Exception Location

Tidewater requests an exception location. Lease ML- 47575 covers all of section 16.
Tidewater controls all offset acreage. All surrounding lands are part of the Cactus Rose Unit.

Cactus Rose 16-11-2118

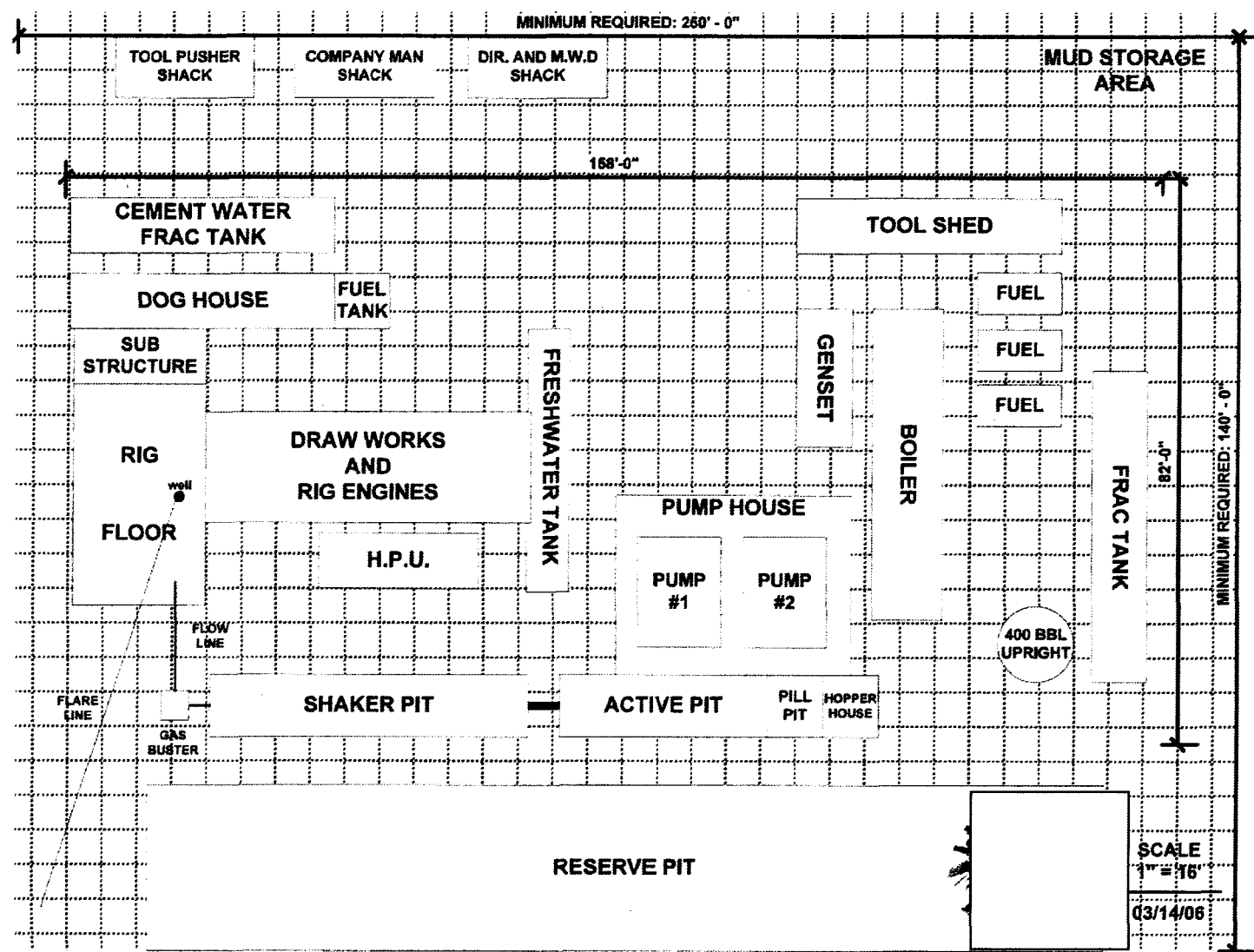
NWNW Sec 16, T21S, R18E

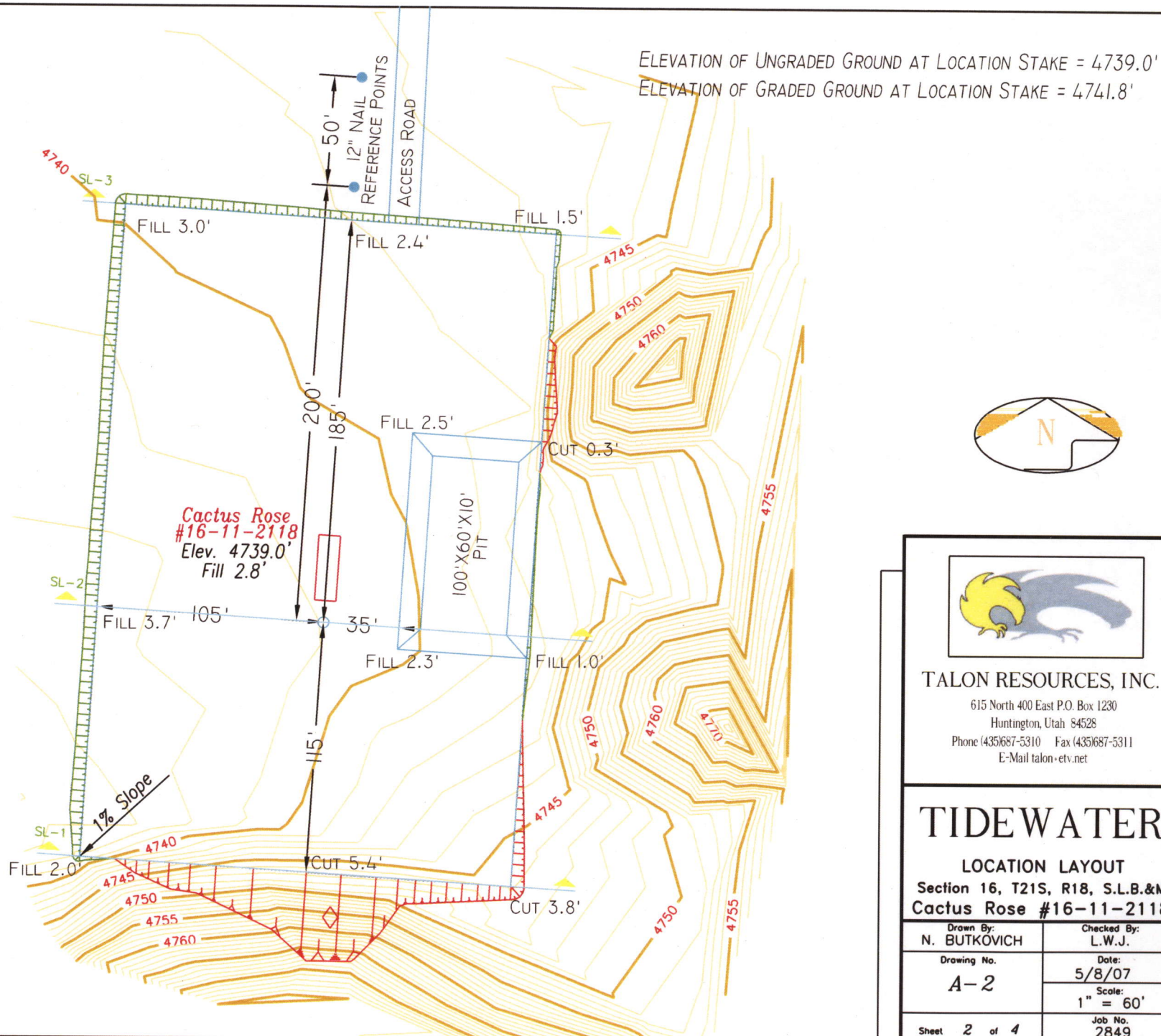
477 FNL, 579 FWL

grid level = 4739.0'

ML-47575

Location layout - Not rig specific - Proposed





TALON RESOURCES, INC.

615 North 400 East P.O. Box 1230

Huntington, Utah 84528

Phone (435)687-5310 Fax (435)687-5311

E-Mail talon-etv.net

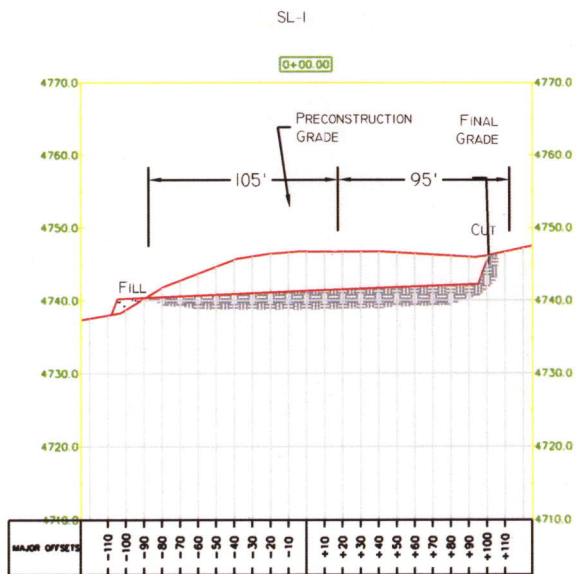
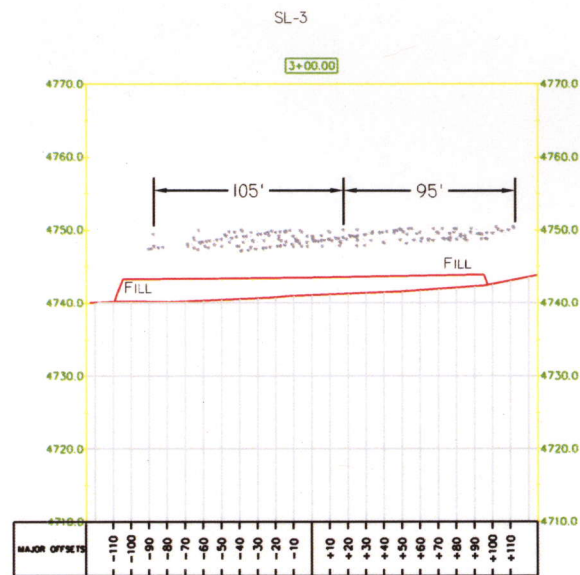
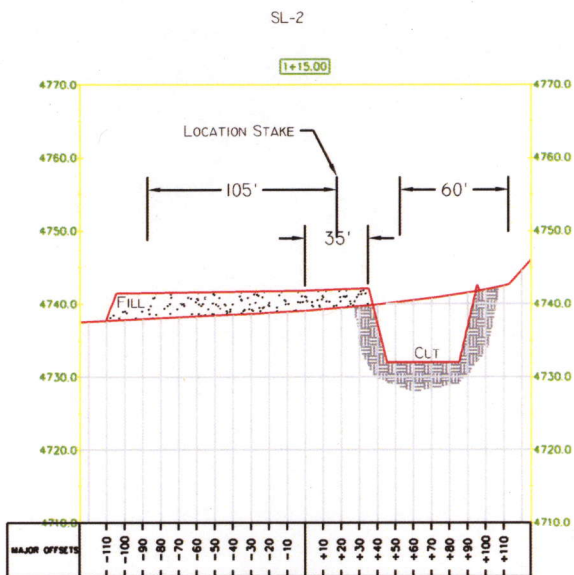
TIDEWATER

LOCATION LAYOUT

Section 16, T21S, R18, S.L.B.&M.

Cactus Rose #16-11-2118

Drawn By: N. BUTKOVICH	Checked By: L.W.J.
Drawing No. A-2	Date: 5/8/07
	Scale: 1" = 60'
Sheet 2 of 4	Job No. 2849



1" = 10'
X-Section
Scale
1" = 40'

SLOPE = 1 1/2 : 1
(EXCEPT PIT)
PIT SLOPE = 1 : 1

APPROXIMATE YARDAGES

(6") TOPSOIL STRIPPING = 1,020 CU. YDS.

TOTAL CUT (INCLUDING PIT) = 2,055 CU. YDS.

TOTAL FILL = 4,850 CU. YDS.



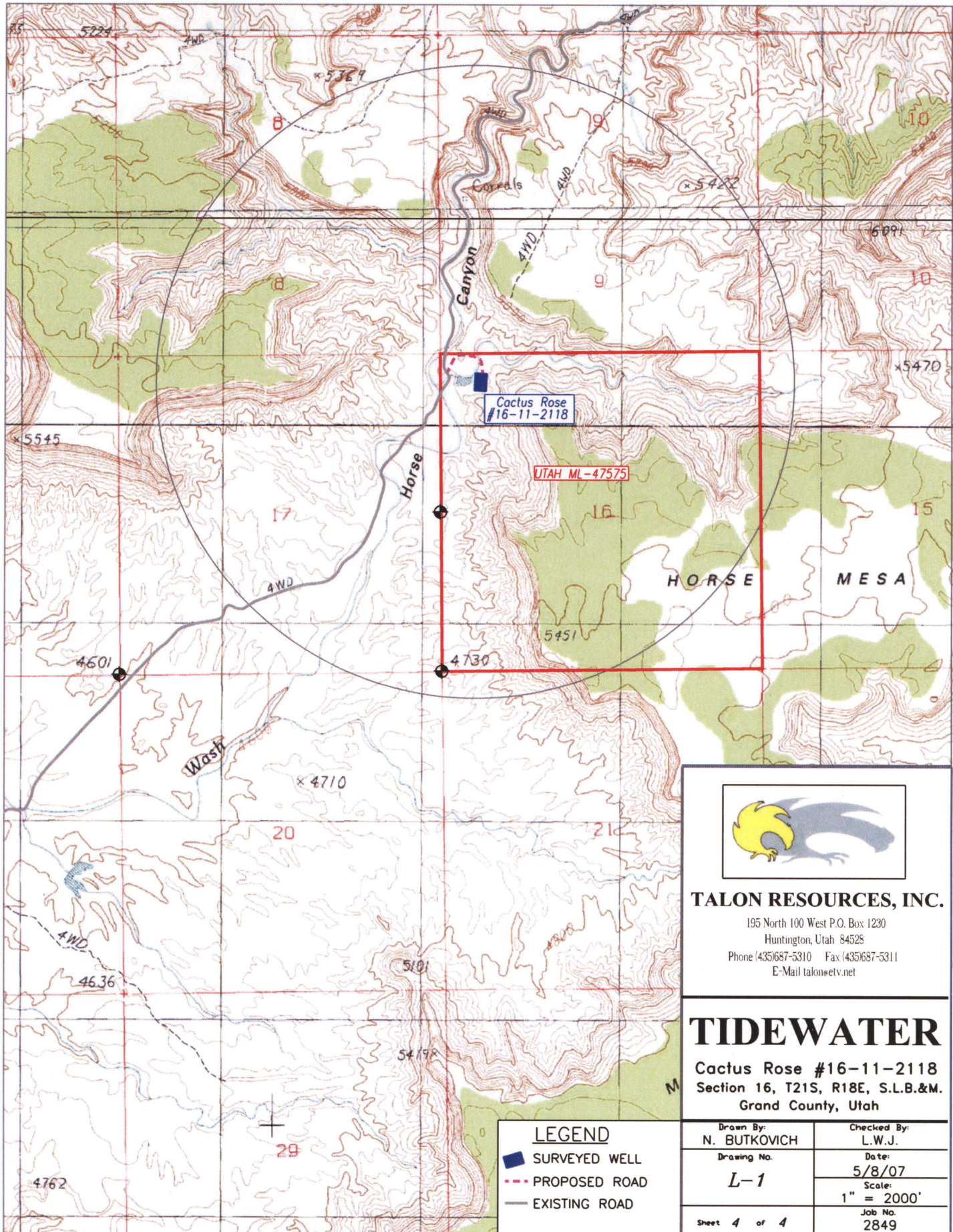
TALON RESOURCES, INC.

615 North 400 East P.O. Box 1230
Huntington, Utah 84528

Phone (435)687-5310 Fax (435)687-5311
E-Mail talon-etv.net

TIDEWATER
TYPICAL CROSS SECTION
Section 16, T21S, R18E, S.L.B.&M.
Cactus Rose #16-11-2118

Drawn By: N. BUTKOVICH	Checked By: L.W.J.
Drawing No. C-1	Date: 5/8/07
	Scale: 1" = 100'
Sheet 3 of 4	Job No. 2849






TALON RESOURCES, INC.

195 North 100 West P.O. Box 1230
Huntington, Utah 84528
Phone (435) 687-5310 Fax (435) 687-5311
E-Mail talon@etv.net

TIDEWATER

Cactus Rose #16-11-2118
Section 16, T21S, R18E, S.L.B.&M.
Grand County, Utah

LEGEND

-  SURVEYED WELL
-  PROPOSED ROAD
-  EXISTING ROAD

Drawn By:
N. BUTKOVICH

Drawing No.

L-1

Sheet 4 of 4

Checked By:
L.W.J.

Date:

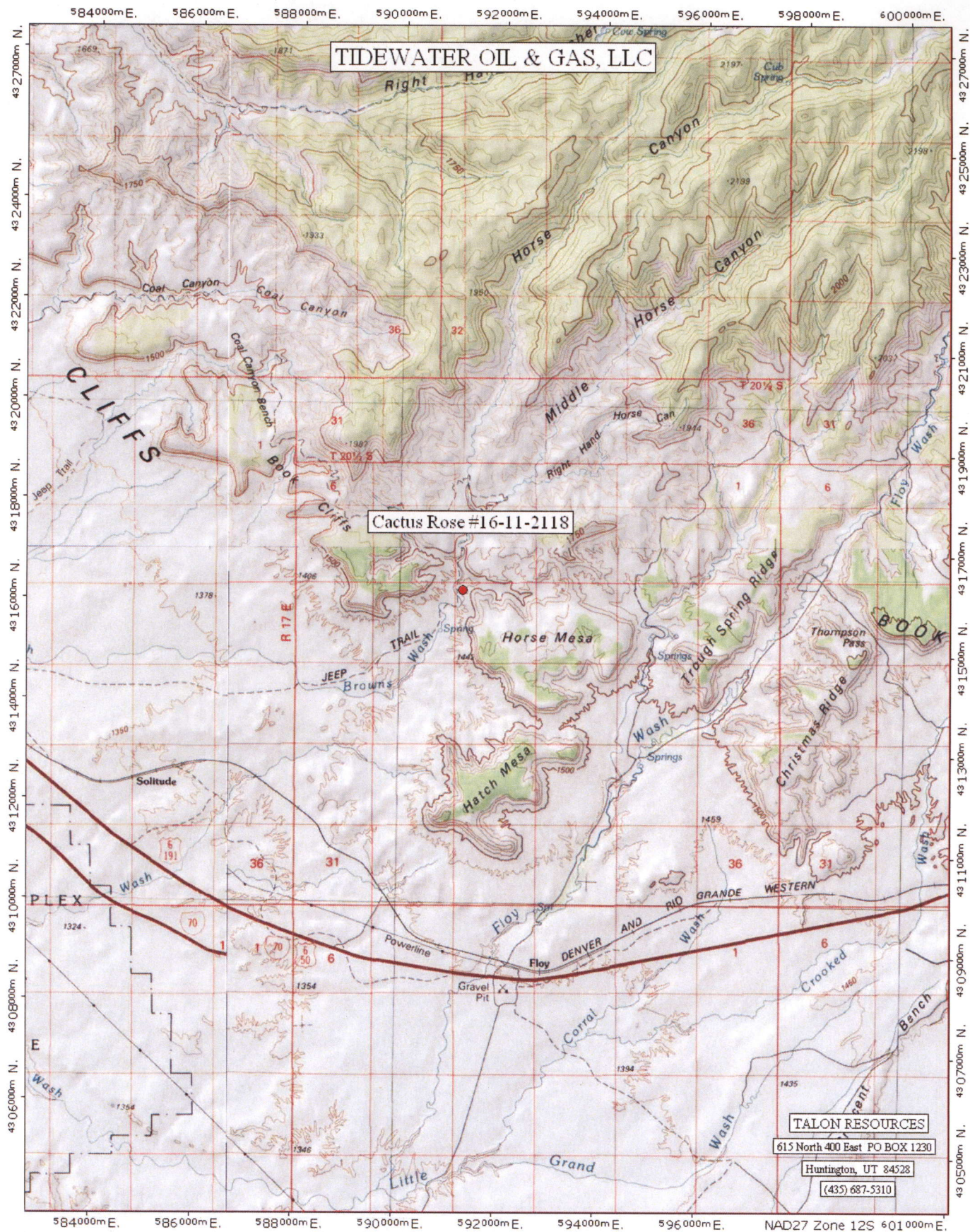
5/8/07

Scale:

1" = 2000'

Job No.

2849



TIDEWATER OIL & GAS, LLC

Cactus Rose #16-11-2118

TALON RESOURCES

615 North 400 East PO BOX 1230

Huntington, UT 84528

(435) 687-5310

TN MN
12°

0.0 0.5 1.0 1.5 2.0 2.5 3.0 3.5 miles
0 1 2 3 4 5 km

Map created with TOPOI® ©2003 National Geographic (www.nationalgeographic.com/topo)

WORKSHEET
APPLICATION FOR PERMIT TO DRILL

APD RECEIVED: 05/14/2007

API NO. ASSIGNED: 43-019-31546

WELL NAME: CACTUS ROSE 16-11-2118

OPERATOR: TIDEWATER OIL & GAS (N3000)

PHONE NUMBER: 303-468-0656

CONTACT: R.E. KNIGHT

PROPOSED LOCATION:

NWNW 16 210S 180E

SURFACE: 0477 FNL 0579 FWL

BOTTOM: 0477 FNL 0579 FWL

COUNTY: GRAND

LATITUDE: 38.99215 LONGITUDE: -109.9461

UTM SURF EASTINGS: 591272 NORTHINGS: 4316226

FIELD NAME: WILDCAT (1)

INSPECT LOCATN BY: / /

Tech Review	Initials	Date
Engineering	DEK	6/29/07
Geology		
Surface		

LEASE TYPE: 3 - State

LEASE NUMBER: ML 47575

SURFACE OWNER: 3 - State

PROPOSED FORMATION: WINGT

COALBED METHANE WELL? NO

RECEIVED AND/OR REVIEWED:

☒ Plat
☒ Bond: Fed[] Ind[] Sta[] Fee[]
(No. 394312384040)
☒ Potash (Y/N)
☒ Oil Shale 190-5 (B) or 190-3 or 190-13
☒ Water Permit
(No. MUNICIPAL)
☒ RDCC Review (Y/N)
(Date: _____)
☒ Fee Surf Agreement (Y/N)
☒ Intent to Commingle (Y/N)

LOCATION AND SITING:

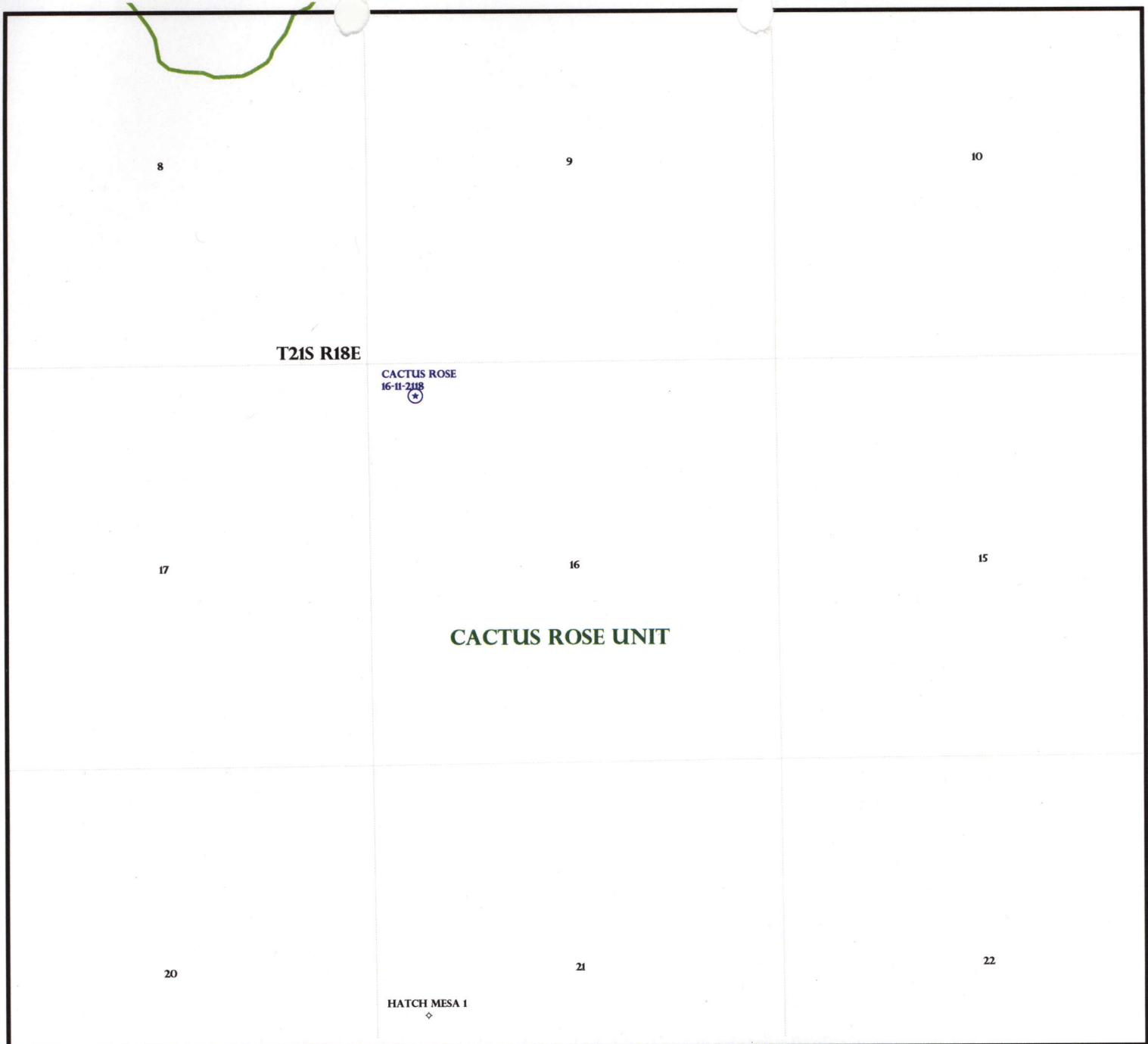
____ R649-2-3.
Unit: CACTUS ROSE
☒ R649-3-2. General
Siting: 460 From Qtr/Qtr & 920' Between Wells
____ R649-3-3. Exception
____ Drilling Unit
Board Cause No: _____
Eff Date: _____
Siting: _____
____ R649-3-11. Directional Drill

COMMENTS:

Needs Permit (05-08-07)

STIPULATIONS:

1- Spacing Strip
2- STATEMENT OF BASIS
3- Cement St. p #3A (5 1/2" production, ±2200' MD, Dakota Fm)



OPERATOR: TIDEWATER O&G CO (N3000)

SEC: 16 T.21S R. 18E

FIELD: WILDCAT (001)

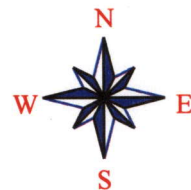
COUNTY: GRAND

SPACING: R649-3-2 / GENERAL SITING

- Field Status**
- ABANDONED
 - ACTIVE
 - COMBINED
 - INACTIVE
 - PROPOSED
 - STORAGE
 - TERMINATED

- Unit Status**
- EXPLORATORY
 - GAS STORAGE
 - NF PP OIL
 - NF SECONDARY
 - PENDING
 - PI OIL
 - PP GAS
 - PP GEOTHERML
 - PP OIL
 - SECONDARY
 - TERMINATED

- Wells Status**
- GAS INJECTION
 - GAS STORAGE
 - LOCATION ABANDONED
 - NEW LOCATION
 - PLUGGED & ABANDONED
 - PRODUCING GAS
 - PRODUCING OIL
 - SHUT-IN GAS
 - SHUT-IN OIL
 - TEMP. ABANDONED
 - TEST WELL
 - WATER INJECTION
 - WATER SUPPLY
 - WATER DISPOSAL
 - DRILLING



PREPARED BY: DIANA MASON
DATE: 14-MAY-2007

Application for Permit to Drill

Statement of Basis

7/11/2007

Utah Division of Oil, Gas and Mining

Page 1

APD No	API WellNo	Status	Well Type	Surf Ownr	CBM
412	43-019-31546-00-00		OW	S	No
Operator	TIDEWATER OIL & GAS COMPANY, LLC		Surface Owner-APD		
Well Name	CACTUS ROSE 16-11-2118		Unit	CACTUS ROSE	
Field	WILDCAT		Type of Work		
Location	NWNW 16 21S 18E S 477 FNL 579 FWL GPS Coord (UTM) 591272E 4316226N				

Geologic Statement of Basis

Significant volumes of high quality ground water are unlikely to be encountered in the bedrock at this location. A poorly permeable soil is likely to be developed on the Upper Portion of the Bluegate Member fo the Mancos Shale. The bentonitic nature of the surficial sediments is sufficiently impermeable as to obviate the need for a pit liner. A shallow fresh water resource is unlikely to be encountered in the shallow sediments in the area of the proposed location. Poor quality water is likely to be encountered in permeable Mesozoic and upper Paleozoic sandstones found below the Mancos Shale. The proposed casing and cementing program should adequately isolate any zones of fresh water that may be penetrated. No underground water rights have been filed on an area within a mile of the proposed well site.

Chris Kierst
APD Evaluator

5/24/2007
Date / Time

Surface Statement of Basis

On-site conducted May 8, 2007. Present: Bart Kettle-Division of Oil, Gas and Mining (DOGM), Kyle Beagley-Division of Wildlife Resources (DWR), Leroy Mead-Division of Wildlife Resources, Jim Jones Tidewater Oil & Gas Company, Roger Knight, Agent for Tidewater Oil & Gas Company. Invited but choosing not to attend: Ed Bonner-Trust Lands Administration (SITLA) and Jim Davis-Trust Lands Administration (SITLA).

Division of Wildlife Recourses (DWR) recommends that suitable raptor habitat adjacent to project site be monitored for raptor nests. Project site lies within suitable bighorn sheep habitat.

In order to limit surface use conflicts between oil and gas operations and livestock operations the Division of Oil, Gas and Mining (DOGM) recommends that access to the well pad enter from the north end of the well pad. Well pad will be raised a minimum of 2' above flood plain to prevent entry of flood waters onto well pad. A graveled and rip rapped low water crossing is recommended on access road to prevent entry/ponding of flood water onto well pad.

Bart Kettle
Onsite Evaluator

5/8/2007
Date / Time

Conditions of Approval / Application for Permit to Drill

Category	Condition
Pits	A synthetic liner with a minimum thickness of 12 mils shall be properly installed and maintained in the reserve pit.
Pits	Fence reserve pit immediately upon removal of drilling rig.
Surface	Access road is to be rerouted to the north to avoid any construction or traffic on the existing stock pond.
Surface	Raise well pad a minimum of 2' above flood plain to prevent entry of flood waters onto well pad

ON-SITE PREDRILL EVALUATION

Utah Division of Oil, Gas and Mining

Operator TIDEWATER OIL & GAS COMPANY, LLC
Well Name CACTUS ROSE 16-11-2118
API Number 43-019-31546-0 **APD No** 412 **Field/Unit** WILDCAT
Location: 1/4,1/4 NWNW **Sec** 16 **Tw** 21S **Rng** 18E 477 FNL 579 FWL
GPS Coord (UTM) 591271 4316222 **Surface Owner**

Participants

Bart Kettle-Division of Oil, Gas and Mining (DOGM), Kyle Beagley-Division of Wildlife Resources (DWR), Leroy Mead-Division of Wildlife Resources, Jim Jones Tidewater Oil & Gas Company, Roger Knight, Agent for Tidewater Oil & Gas Company.

Regional/Local Setting & Topography

Proposed project site is located roughly 13 miles northeast of the town of Green River, in Grand County Utah. Annual precipitation is 8-10", vegetation is sparse at the project site, but would be described as salt scrub/black brush mixed rangelands. Topography immediately adjacent to the well is a series of steep clay breaks capped by sandstone layers. Drainage is to the west entering the Green River within 20 miles. No perennial water was observed in close proximity to the proposed project site. Drainages in the immediate area are ephemeral in nature, being dry throughout a majority of the year. Regionally the project site is located in the northern portions of the Colorado Plateau at the base of the Bookcliff mountain range. Topography in the region is generally mesas cut by steep canyons. The region is fairly arid, soils are often limited by salt content and vegetation sparse.

Surface Use Plan

Current Surface Use

Grazing

Wildlife Habitat

New Road

Miles	Well Pad	Src Const Material	Surface Formation
0.01	Width 200	Length 300 Onsite	MNCS

Ancillary Facilities N

Waste Management Plan Adequate?

Environmental Parameters

Affected Floodplains and/or Wetland Y

Project site sits on the eastern portion of stock pond in intermediate wash.

Flora / Fauna

Grass: Hilaria jansii, cheatgrass and Indian rice grass.

Forbs: Halogeton, scarlet globe mallow, desert plantain, purple mustard, redstem filaree, scorpion weed, and desert trumpet.

Shrubs: Shadscale, mat salt brush, Gardner salt brush, black grease wood, four wing salt brush, winter fat, gray horse brush, broom snakeweed.

Fauna: Mountain lion, bobcat, ring tailcat, gray fox, coyote, mule deer rocky mountain bighorn sheep, raptors, small birds, reptiles and mammals, possible incidental black bear.

Soil Type and Characteristics

Gray sandy clay loam

Erosion Issues Y

Highly erosive soils

Sedimentation Issues N**Site Stability Issues Y**

Soils are recent deposits associated with the construction of stock pond.

Drainage Diversion Required Y

Well pad and road will require a minimal of 2' of fill to prevent being flooded.

Berm Required? Y**Erosion Sedimentation Control Required? N****Paleo Survey Run? N****Paleo Potential Observed? N****Cultural Survey Run? N****Cultural Resources? Y****Reserve Pit****Site-Specific Factors****Site Ranking**

Distance to Groundwater (feet)	>200	0
Distance to Surface Water (feet)	200 to 300	10
Dist. Nearest Municipal Well (ft)	>5280	0
Distance to Other Wells (feet)	>1320	0
Native Soil Type	Mod permeability	10
Fluid Type	Fresh Water	5
Drill Cuttings	Normal Rock	0
Annual Precipitation (inches)	<10	0
Affected Populations	<10	0
Presence Nearby Utility Conduits	Not Present	0

Final Score 25 1 Sensitivity Level**Characteristics / Requirements****Closed Loop Mud Required? N****Liner Required? Y****Liner Thickness 12****Pit Underlayment Required? N****Other Observations / Comments**

Project site is located in the corner of state section 16 surrounded by BLM lands. Topography and landownership boundaries surrounding the proposed project site limit the ability to move the well pad in order resolve surface use conflicts. As staked the access road would cross the dike of the stock pond. Recommendation to move the access road require crossing a dry wash feeding the stock pond 300' upstream. Edges of the well pad will extend to within 50'~ of anticipated coverage area of the stock pond. Current staking of the well pad overlaps into areas once flooded by the stock pond. Over time a large portion of the stock pond was filled with sediment. From on-site inspection it appears the stock pond was reduced in size, the spill way was altered, and currently a smaller area is used to trap stock water. Currently the stock pond is full of sediment, and is not capable of storing water. However from conversation with permitted livestock operator it has been determined that plans to clean stock pond are underway, and it will be capable of holding water again by the following fall. It has been determined that in order for the stock pond and well pad to co-exist at the proposed location the access and well pad would require a raised bed surface of 2' along with rock low water crossing at channel crossing.

From on-site inspection and conversation with the Moab BLM office it has been determined that a federal Right of Way (ROW) would likely be required in order to access the project sight. Multiple wash crossing and grades would require alteration in order to accommodate rig traffic. At the time of inspection no application for ROW has been discussed with the Moab BLM office.

Additionally, a low bridge crossing under train tracks and poor angle of entry appear to be a limiting factor for type of rig traffic that could be used in drilling operations.

Division of Wildlife Recourses (DWR) recommends that suitable raptor habitat adjacent to project site be monitored for raptor nests. Currently no information exists for the project area. Project area is listed as suitable bighorn sheep habitat, no restrictions were recommended by DWR at on-site evaluation.

Bart Kettle
Evaluator

5/8/2007
Date / Time



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2007-06 Tidewater Cactus Rose 16-11-2118

Casing Schematic

BHP $0.052(5500)8.6 = 2460 \text{ psi}$
anticipate $< 2500 \text{ psi}$

GM $.12(5500) = 660$
 $2460 - 660 = 1800 \text{ psi MASP}$

BOPE 3M ✓

Burst 2950
70% 2065

Max P @ Surf. shoe

$.22(5000) = 1100$

$2460 - 1100 = 1360 \text{ psi}$

Test to 1360 psi ✓

✓ Adequate OKD 6/29/07

8-5/8"
MW 8.4

Frac 19.3

5-1/2"
MW 8.6

Surface

TOC @ Mancoas

Surface
500. MD

2044' TOC Stage 2 (350 sk)
*stip ✓

2702' Dakota SS
2880' Cedar Mtn

3650' Curtis - Monab Tongue

TOC @ DV tool - 4000' ± Stage 1 (268 sk)
3943.4/05' Carmel

4400' Navajo

4716' Kayenta

4950' Wingate

5350' Chinle

Production
5500. MD

Well name:	2007-06 Tidewater Cactus Rose 16-11-2118	
Operator:	Tidewater Oil & Gas	Project ID:
String type:	Surface	43-019-31546
Location:	Grand County	

Design parameters:
Collapse

Mud weight: 8.400 ppg
Design is based on evacuated pipe.

Minimum design factors:
Collapse:

Design factor 1.125

Burst:

Design factor 1.00

Environment:

H2S considered? No
Surface temperature: 65 °F
Bottom hole temperature: 72 °F
Temperature gradient: 1.40 °F/100ft
Minimum section length: 150 ft

Cement top: Surface

Burst

Max anticipated surface pressure: 440 psi
Internal gradient: 0.120 psi/ft
Calculated BHP 500 psi

No backup mud specified.

Tension:

8 Round STC: 1.80 (J)
8 Round LTC: 1.80 (J)
Buttress: 1.60 (J)
Premium: 1.50 (J)
Body yield: 1.50 (B)

Tension is based on air weight.
Neutral point: 437 ft

Non-directional string.
Re subsequent strings:

Next setting depth: 5,500 ft
Next mud weight: 9.000 ppg
Next setting BHP: 2,571 psi
Fracture mud wt: 19.250 ppg
Fracture depth: 500 ft
Injection pressure: 500 psi

Run Seq	Segment Length (ft)	Size (in)	Nominal Weight (lbs/ft)	Grade	End Finish	True Vert Depth (ft)	Measured Depth (ft)	Drift Diameter (in)	Internal Capacity (ft³)
1	500	8.625	24.00	J-55	ST&C	500	500	7.972	178.8

Run Seq	Collapse Load (psi)	Collapse Strength (psi)	Collapse Design Factor	Burst Load (psi)	Burst Strength (psi)	Burst Design Factor	Tension Load (Kips)	Tension Strength (Kips)	Tension Design Factor
1	218	1370	6.279	500	2950	5.90	12	244	20.33 J

Prepared Helen Sadik-Macdonald
by: Div of Oil, Gas & Minerals

Phone: 801-538-5357

Date: June 13, 2007
Salt Lake City, Utah

ENGINEERING STIPULATIONS: NONE

Collapse strength is based on the Westcott, Dunlop & Kemler method of biaxial correction for tension.

Collapse is based on a vertical depth of 500 ft, a mud weight of 8.4 ppg. The casing is considered to be evacuated for collapse purposes.

Burst strength is not adjusted for tension.

Engineering responsibility for use of this design will be that of the purchaser.

Well name:	2007-06 Tidewater Cactus Rose 16-11-2118	
Operator:	Tidewater Oil & Gas	Project ID:
String type:	Production	43-019-31546
Location:	Grand County	

Design parameters:
Collapse

Mud weight: 8.600 ppg
Design is based on evacuated pipe.

Minimum design factors:
Collapse:

Design factor 1.125

Burst:

Design factor 1.00

Environment:

H2S considered? No
Surface temperature: 65 °F
Bottom hole temperature: 142 °F
Temperature gradient: 1.40 °F/100ft
Minimum section length: 368 ft

Cement top: 2,044 ft

Burst

Max anticipated surface pressure: 1,247 psi
Internal gradient: 0.220 psi/ft
Calculated BHP 2,457 psi

No backup mud specified.

Tension:

8 Round STC: 1.80 (J)
8 Round LTC: 1.80 (J)
Buttress: 1.60 (J)
Premium: 1.50 (J)
Body yield: 1.50 (B)

Non-directional string.

Tension is based on air weight.
Neutral point: 4,784 ft

Run Seq	Segment Length (ft)	Size (in)	Nominal Weight (lbs/ft)	Grade	End Finish	True Vert Depth (ft)	Measured Depth (ft)	Drift Diameter (in)	Internal Capacity (ft³)
1	5500	5.5	15.50	J-55	ST&C	5500	5500	4.825	735

Run Seq	Collapse Load (psi)	Collapse Strength (psi)	Collapse Design Factor	Burst Load (psi)	Burst Strength (psi)	Burst Design Factor	Tension Load (Kips)	Tension Strength (Kips)	Tension Design Factor
1	2457	4040	1.644	2457	4810	1.96	85	202	2.37 J

Prepared by: Helen Sadik-Macdonald
Div of Oil, Gas & Minerals

Phone: 801-538-5357

Date: June 28, 2007
Salt Lake City, Utah

ENGINEERING STIPULATIONS: NONE

Collapse strength is based on the Westcott, Dunlop & Kemler method of biaxial correction for tension.

Collapse is based on a vertical depth of 5500 ft, a mud weight of 8.6 ppg. The casing is considered to be evacuated for collapse purposes.

Burst strength is not adjusted for tension.

Engineering responsibility for use of this design will be that of the purchaser.



MONTGOMERY
ARCHAEOLOGICAL
CONSULTANTS

Box 219, 322 East 100 South, Moab, Utah 84532 (435) 259-5764 Fax (435) 259-5608

May 18, 2007

Mr. Roger Knight
Tidewater Oil & Gas, LLC
645 Court Pl, Suite 301
Denver, Colorado 80202

Dear Mr. Knight,

Enclosed please find two copies of the report entitled "Cultural Resource Inventory of Tidewater Oil & Gas, LLC's Proposed Cactus Rose #16-11-2118 Well Location (T21S, R18E, Section 16), Grand County, Utah." The inventory resulted in the location of no cultural resources. Based on these findings, a determination of "no historic properties affected" is recommended for the undertaking pursuant to Section 106, CFR 800.

Also enclosed is an invoice for costs associated with this project.

If you have any comments or questions, please call me. We appreciate the opportunity to provide consulting services for this project.

Sincerely,

Keith R. Montgomery
Keith R. Montgomery
Principal Investigator

cc: Ms. Kristine Curry, SITLA
Dr. Matthew Seddon, SHPO

CULTURAL RESOURCE INVENTORY OF
TIDEWATER OIL & GAS, LLC'S PROPOSED
CACTUS ROSE #16-11-2118 WELL LOCATION
(T21S, R18E, SECTION 16)
GRAND COUNTY, UTAH

André Jendresen

**CULTURAL RESOURCE INVENTORY OF
TIDEWATER OIL & GAS, LLC'S PROPOSED
CACTUS ROSE #16-11-2118 WELL LOCATION
(T21S, R18E, SECTION 16)
GRAND COUNTY, UTAH**

By:

André Jendresen

Prepared For:

**State of Utah School and Institutional
Trust Lands Administration
Salt Lake City, Utah**

Prepared Under Contract With:

**Tidewater Oil & Gas, LLC
645 Court Pl, Suite 301
Denver, Colorado 80202**

Prepared By:

**Montgomery Archaeological Consultants, Inc.
P.O. Box 219
Moab, Utah 84532**

MOAC Report No. 07-188

May 18, 2007

**State of Utah Public Lands Policy
Archaeological Survey Permit No. 117**

**United States Department of Interior (FLPMA)
Permit No. 07-UT-60122**

**State of Utah Antiquities Project (Survey)
Permit No. U-07-MQ-0533s**

INTRODUCTION

A cultural resource inventory was conducted by Montgomery Archaeological Consultants, Inc. (MOAC) in May 2007 of Tidewater Oil & Gas LLC's proposed Cactus Rose #16-11-2118 well location with associated access corridor. The inventory was implemented at the request of Mr. Roger Knight of Tidewater Oil and Gas LLC, Denver, Colorado. The project area is located in Horse Canyon, about 11 miles east of the town of Green River, Grand County, Utah. A total of 13.4 acres was inventoried for cultural resources on land administered by the State of Utah School and Institutional Trust Lands Administration (SITLA).

The objective of the inventory was to locate, document, and evaluate any cultural resources within the project area in order to attain compliance with a number of federal and state mandates, including the National Historic Preservation Act of 1966 (as amended), the National Environmental Policy Act of 1969, the Archaeological and Historic Conservation Act of 1972, the Archaeological Resources Protection Act of 1979, the American Indian Religious Freedom Act of 1978, and the Utah State Antiquities Act of 1973 (amended 1992).

The fieldwork was performed on May 17, 2007 by André Jendresen (Field Supervisor), under the auspices of U.S.D.I. (FLPMA) Permit No. 07-UT-60122, State of Utah Public Lands Policy Archaeological Survey Permit No. 117, and State of Utah Antiquities Project (Survey) No. U-07-MQ-0533s issued to Montgomery Archaeological Consultants, Inc. (MOAC), Moab, Utah.

A record search was performed by Marty Thomas at the Utah State Historic Preservation Office on May 15, 2007. This consultation indicated that several previous inventories have been conducted near the current project area resulting in the documentation of numerous sites; none of which are located in the current project area.

In 1984, the Division of Conservation Archaeology of the San Juan County Museum Association completed an archaeological survey of six seismic lines for Western Geophysical. The inventory resulted in the documentation of 27 sites, which are all located outside of the current project area (Kearns 1984).

In 2000, Montgomery Archaeological Consultants (MOAC) inventoried Clear Talk's proposed communication tower location and access route at Solitude Wash, resulting in the finding of no cultural resources (Kinnear-Ferris 2000).

In 2001, MOAC surveyed a powerline to Clear Talk's Solitude Wash communication tower location, finding no cultural resources (Kinnear-Ferris 2001).

In 2002, MOAC conducted a cultural resource inventory of Clear Talk's communication tower and access route relocation at Solitude Wash (Kinnear-Ferris 2002). The inventory resulted in the location of a segment of the abandoned Denver & Rio Grande Western railroad (42Gr935).

DESCRIPTION OF PROJECT AREA

The project area is situated in Horse Canyon, about 11 miles east of the town of Green River, Grand County, Utah. The legal description is Township 21S, Range 18E, Section 16. (Figure 1, Table 1). A total of 13.4 acres was inventoried for cultural resources on land administered by the State of Utah School and Institutional Trust Lands Administration (SITLA).

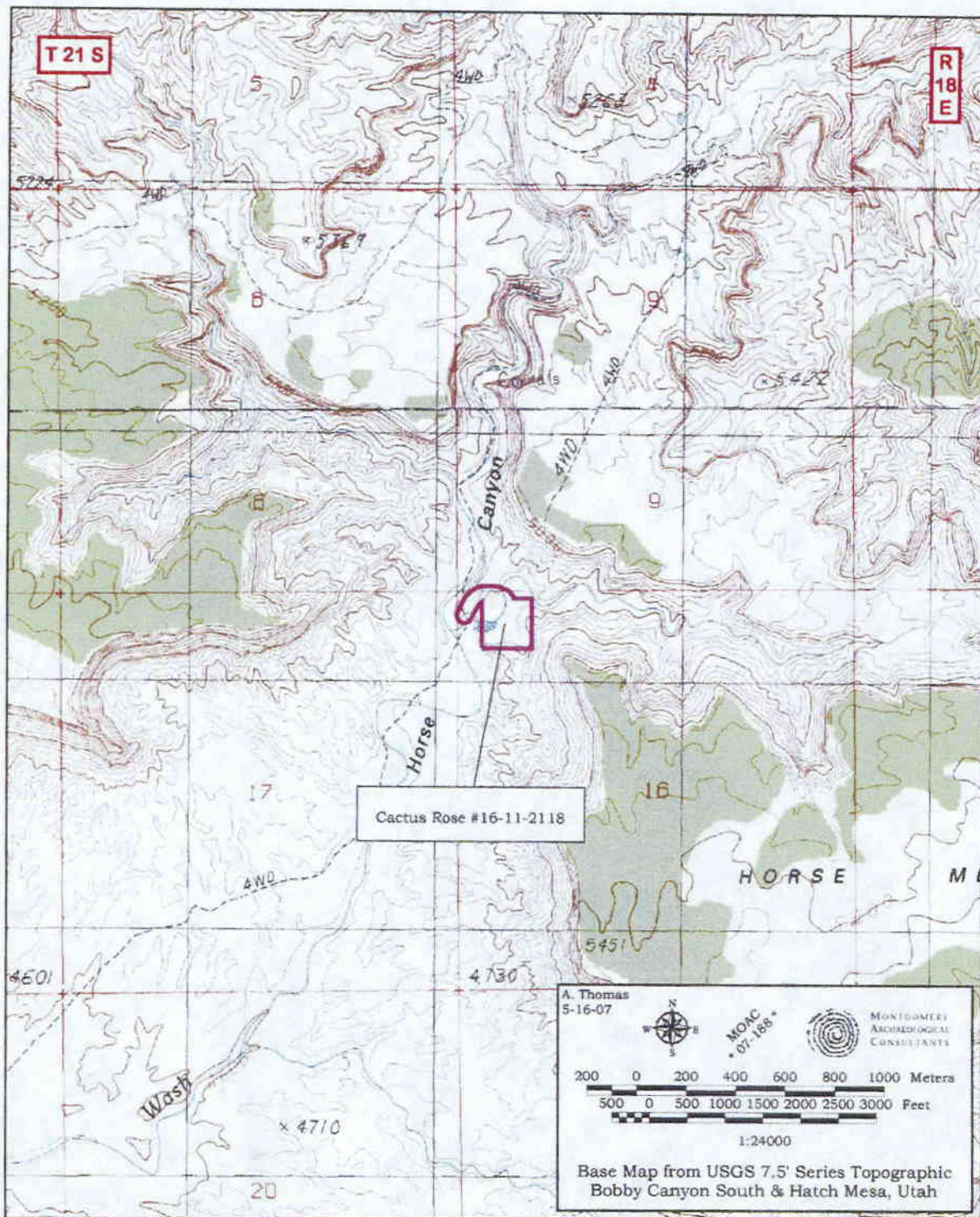


Figure 1. Inventory Area of Tidewater Oil and Gas LLC's Proposed Cactus Rose #16-11-2118 Well Location and Access Corridor.

Table 1. Tidewater Oil and Gas LLC's Proposed Well Location and Access Corridor.

Well Designation	Legal Location	Access Corridor	Cultural Resources
Cactus Rose #16-11-2118	T21S, R18E, NW/NW Sec. 16	713 ft	None

Environmental Overview

In general, the project area is situated in the Mancos Shale Lowland and Salt Anticline sections of the Colorado Plateau Province (Stokes 1986). The Mancos Shale Lowland section is a geographic region that extends from the town of Emery, in Emery County, Utah to the Colorado state line. It includes Castle Valley, Clark Valley, and Grand Valley, and is crossed by the Green River and numerous intermittent drainages. The area is characterized by badlands, sloping pediments, and flat-bottomed alluvial valleys. Geologic formations include Mancos Shale, an early Cretaceous age formation consisting of marine deposits, and older alluvial deposits (Stokes 1986). The Salt Anticline section is characterized by elongate valleys created by the removal of subterranean salt masses. The valleys trend northwesterly, have collapsed or depressed anticlines, high surrounding walls, and salt at shallow depths beneath valley bottoms. The major valleys are Spanish (Moab) Valley, Lisbon Valley, Salt Valley, and Castle Valley. Specifically, the inventory area is situated in Horse Canyon, northeast of Browns Wash, and northwest of Horse Mesa. The elevation of the inventory area averages 4740 feet. Situated within the Upper Sonoran Life Zone, the primary vegetation community is the Salt Desert Shrub, and includes various bunch grasses, shadscale, greasewood, desert trumpet, Russian thistle and other annual forbs. Modern impacts to the landscape include roads, and grazing.

SURVEY METHODOLOGY

An intensive pedestrian survey was performed for this project which is considered 100% coverage. The interior of the well location was examined for cultural resources by the archaeologists walking parallel transects spaced no more than 10 m (33 ft) apart. The access corridor was surveyed to a width of 61 m (200 ft) by employing the same inventory methods. Ground visibility was considered good. A total of 13.4 acres was inventoried for cultural resources on land administered by the State of Utah School and Institutional Trust Lands Administration (SITLA).

RESULTS AND RECOMMENDATIONS

The inventory of Tidewater Oil & Gas LLC's proposed Cactus Rose #16-11-2118 well location and access corridor resulted in the finding of no cultural resources. Based on these findings, a determination of "no historic properties affected" is recommended for the undertaking pursuant to Section 106, CFR 800.

REFERENCES CITED

- Kearns, T. M.
1984 The Horse Heaven Prospect: An Archaeological Survey of Six Seismic Lines near Crescent Junction, Grand County, Utah. The Division of Conservation Archaeology of the San Juan County Museum Association, Farmington, New Mexico. Report No. U-84-DB-0129b.
- Kinnear-Ferris, S.
2000 Cultural Resource Inventory of ClearTalk's Four Communication Tower Locations: Solitude Wash, Exit 202, Harley Dome, and Leaving Moab, Grand County, Utah. Montgomery Archaeological Consultants, Moab, Utah. Report No. U-00-MQ-0735b,s.
- 2001 Cultural Resource Inventory of ClearTalk's Solitude Wash Powerline in Grand County, Utah. Montgomery Archaeological Consultants, Moab, Utah. Report No. U-01-MQ-0807s.
- 2002 Cultural Resource Inventory of ClearTalk's Solitude Wash Tower Location and Access Road Relocation in Grand County, Utah. Montgomery Archaeological Consultants, Moab, Utah. Report No. U-02-MQ-0126b,s
- Stokes, W. L.
1986 *Geology of Utah*. Utah Museum of Natural History, University of Utah, Salt Lake City.

NICK SAMPINOS

897 North 100 East ♦ Price, Utah 84501

Tel: (435)637-7131 (home)
(435)637-9000 (office)

E-Mail: nsampinos@emerytelcom.net

Facsimile: (435)637-2111

May 23, 2007

Bart Kettle
State of Utah
Department of Natural Resources
Division of Oil, Gas and Mining
455 West Railroad Avenue
Price, UT 84501

RECEIVED
MAY 25 2007
OGM PRICE FIELD OFFICE

RE: Tidewater – Cactus Rose #16-11-2118

Bart:

Thanks for delivering the two documents depicting the location of the above referenced well. It is my understanding that this well site is staked on or over the existing stock watering reservoir on my Horse Canyon BLM grazing allotment.

As you are aware, I am currently in the process of cleaning out and repairing stock watering ponds on that allotment. Based on the fact that the well site has now been staked on or near the pond, we have decided to not do any further work on that pond, pending a final decision from your office with respect to a final well site location. Additionally, we want to assess the potential effect that the proposed well site will have on drainage into the stock watering pond.

Needless to say, this well site came as a complete surprise to us. To my knowledge, we did not receive any notice from Tidewater that this may be occurring, but by all means we are interested in working with the energy industry, but we also want to protect our ability to have and maintain a stock watering pond at that location or near that same location. As you may be aware, there are no other water sources on that allotment. Every functional pond site is critical to the success of our operation. We simply cannot live without these ponds. The only alternative for us is to haul water into those cattle during the winter months. This becomes an expensive and sometimes an impossible situation due to impassable road conditions.

We would appreciate being kept apprised of any developments regarding this well site. If it is absolutely necessary that the well site be located on the pond location, I would have no objection to the pond being moved further down the drainage if that can be done at the operator's expense. I do not believe that I should have to foot the cost of a new pond. This pond could have been cleaned out easily in a day at a much less expense.

Thanks again for contacting me. I look forward to hearing back from you regarding the final well site location.

Sincerely,



Nick Sampinos

43-019-31546

DESIGNATION OF OPERATOR

The undersigned is, on the records of the School and Institutional Trust Lands Administration, holder of lease, ML 47575

And hereby designates:

NAME: Tidewater Oil & Gas, LLC

ADDRESS: 1645 Court Place, Suite 301
Denver, CO 80202

as his operator and local agent, with full authority to act in his behalf in complying with the terms of the lease and regulations applicable thereto and on whom the Director of the Administration or his representative may serve written or oral instructions in securing compliance with the Rules and Regulations Governing the Issuance of Mineral Leases with respect to (describe acreage to which this designation is applicable):

Township 21 South, Range 18 East

Section 16: NW/4NW/4

Operator agrees to comply with all lease provisions, statutes, rules, and regulations, whether federal, state, or local, in its operations on the subject lease.

It is understood that this designation of operator does not relieve the lessee of responsibility for compliance with the terms of the lease and the Rules and Regulations. It is also understood that this designation of operator does not constitute an assignment of any interest in the lease.

In case of default on the part of the designated operator, the lessee will make full and prompt compliance with all regulations, lease terms, or orders of the Director, Trust Lands Administration or his representative.

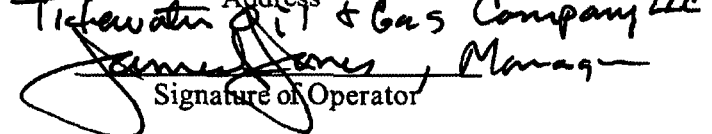
The lessee agrees promptly to notify the Trust Lands Administration of any change in the designated operator.



Signature of Lessee

EnCana Oil & Gas (USA) Inc.
370 17th Street, Suite 1700
Denver, CO 80202

Address

Tidewater Oil & Gas Company LLC

Signature of Operator

6/8/2007

Date

6/8/2007

Date

TIDEWATER OIL & GAS COMPANY LLC

1645 Court Place, Suite 301

Denver, Colorado 80202

(303) 468-0656

06/14/2007

State of Utah

Attn: Dustin Ducet

Salt Lake City, UT

Cactus Rose 16-11-2118

NWNW Sec 16, T21S, R18E

477 FNL, 579 FWL

grd level = 4739'

ML-47575

Grand County, UT

Estimated Formation Tops

FORMATION		Md, FT
Mancos shale		0
Dakota ss	HC	2702
Cedar Mountain	HC	2880
Curtis Moab Tongue	HC	3650
Carmel	HC	4105
Navajo	HC	4400
Kayenta	HC	4716
Wingate	HC	4950
Chinle	HC	5350
TD		5500

It is estimated that the DV tool will be placed +/- 4000'. Adequate cement will be used to cover the Dakota Formation and to cover approximately 200' above the top of the Dakota Formation.

Your approval of this APD is greatly appreciated. Let me know if you need anything additional.

Thank You,
Tidewater Oil & Gas LLC



RE Knight, Agent

DESIGNATION OF OPERATOR

The undersigned is, on the records of the School and Institutional Trust Lands Administration, holder of lease, ML 47575

And hereby designates:

NAME: Tidewater Oil & Gas, LLC

ADDRESS: 1645 Court Place, Suite 301
Denver, CO 80202

as his operator and local agent, with full authority to act in his behalf in complying with the terms of the lease and regulations applicable thereto and on whom the Director of the Administration or his representative may serve written or oral instructions in securing compliance with the Rules and Regulations Governing the Issuance of Mineral Leases with respect to (describe acreage to which this designation is applicable):

Township 21 South, Range 18 East

Section 16: NW/4NW/4

Operator agrees to comply with all lease provisions, statutes, rules, and regulations, whether federal, state, or local, in its operations on the subject lease.

It is understood that this designation of operator does not relieve the lessee of responsibility for compliance with the terms of the lease and the Rules and Regulations. It is also understood that this designation of operator does not constitute an assignment of any interest in the lease.

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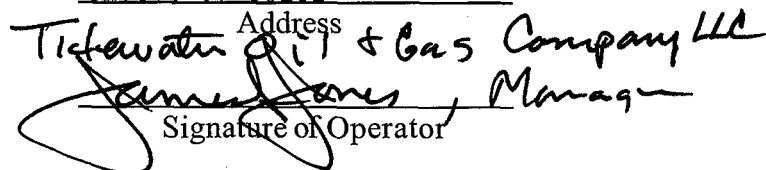
The lessee agrees promptly to notify the Trust Lands Administration of any change in the designated operator.



Signature of Lessee

EnCana Oil & Gas (USA) Inc.
370 17th Street, Suite 1700
Denver, CO 80202

Address

Tidewater Oil & Gas Company LLC

Signature of Operator

6/8/2007

Date

6/8/2007

Date

RECEIVED

JUN 19 2007

DIV. OF OIL, GAS & MINING

Diana
Wheatley
O+G Commission

(orig)



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Utah State Office
P.O. Box 45155
Salt Lake City, UT 84145-0155
<http://www.blm.gov>



IN REPLY REFER TO:
3180
(UT-922)

JUN 22 2007

MSC Exploration L. P.
Attn. Michael Cornish
369 Florida Hill Rd.
Ridgefield, CT 06877

Dear Mr. Cornish:

This office is in receipt of your letter of June 15, 2007 requesting that the 16-11-2117 well, located in the NWNW Section 16, Township 21 South, Range 18 East, be approved as the third unit obligation well for the Cactus Rose Federal Exploration Unit. Your request is approved and the 16-11-2117 well will be the third unit obligation well for the Cactus Rose Unit provided that it is drilled to a depth sufficient to test the entire Wingate Formation or 5360 feet, whichever is less.

Sincerely,

Greg J. Noble
Acting Chief, Branch of Fluid Minerals



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Utah State Office
P.O. Box 45155
Salt Lake City, UT 84145-0155
<http://www.blm.gov>



IN REPLY REFER TO:
3180
(UT-922)

JUN 22 2007

MSC Exploration L. P.
Attn. Michael Cornish
369 Florida Hill Rd.
Ridgefield, CT 06877

43-019-31546

Dear Mr. Cornish:

This office is in receipt of your letter of June 15, 2007 requesting that the 16-11-2118 well, located in the NWNW Section 16, Township 21 South, Range 18 East, be approved as the third unit obligation well for the Cactus Rose Federal Exploration Unit. Your request is approved and the 16-11-2117 well will be the third unit obligation well for the Cactus Rose Unit provided that it is drilled to a depth sufficient to test the entire Wingate Formation or 5360 feet, whichever is less.

Sincerely,

Greg J. Noble
Acting Chief, Branch of Fluid Minerals

United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Utah State Office

P.O. Box 45155

Salt Lake City, Utah 84145-0155

IN REPLY REFER TO:

3160

(UT-922)

July 3, 2007

Memorandum

To: Assistant District Manager Minerals, Vernal District

From: Michael Coulthard, Petroleum Engineer

Subject: 2007 Plan of Development Beluga Unit,
Duchesne County, Utah.

Pursuant to email between Diana Whitney, Division of Oil, Gas and Mining, and Mickey Coulthard, Utah State Office, Bureau of Land Management, the following well is planned for calendar year 2007 within the Beluga Unit, Duchesne County, Utah.

API#	WELL NAME	LOCATION
------	-----------	----------

(Proposed PZ Green River)

43-013-33713	Beluga Fed C-17-9-17	Sec 17 T09S R17E 0681 FNL 1983 FEL
	BHL Sec 17 T09S R17E 0000	FNL 2651 FEL

We have no objections to permitting the well so long as the unit operator receives an exception to the locating and siting requirements of the State of Utah (R649-3-2).

/s/ Michael L. Coulthard

bcc: File - Beluga Unit
Division of Oil Gas and Mining
Central Files
Agr. Sec. Chron
Fluid Chron

MCoulthard:mc:7-3-07

From: Ed Bonner
To: Mason, Diana
Date: 7/11/2007 12:32 PM
Subject: Well Clearance

CC: Davis, Jim; Garrison, LaVonne; Hill, Brad; Hunt, Gil

The following wells have been given cultural resources clearance by the Trust Lands Cultural Resources Group:

Delta Petroleum Corporation

Greentown State 36-42S (API 43 019 31518)
Greentown State 36-24S (API 43 019 31519)
Greentown State 36-33S (API 43 019 31520)
Greentown State 36-13S (API 43 019 31521)
Greentown State 36-22S (API 43 019 31523)
Greentown State 36-31S (API 43 019 31524)

Dominion Exploration & Production, Inc
AP 12-2J (API 43 047 39315)

Tidewater Oil & Gas Company, LLC

Cactus Rose 16-11-2118 (API 43 019 31546)

A stipulation must be added to the APD approval letter stating that final access to the location will swing to the north on consolidated material, remain out of the filled in livestock pond, and not cut into or interfere with the retention dam.

If you have any questions regarding this matter please give me a call.



JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil Gas and Mining

JOHN R. BAZA
Division Director

July 12, 2007

Tidewater Oil & Gas Company, LLC
1645 Court Pl, Suite 301
Denver, CO 80202

Re: Cactus Rose 16-11-2118 Well, 477' FNL, 579' FWL, NW NW, Sec. 16, T. 21 South,
R. 18 East, Grand County, Utah

Gentlemen:

Pursuant to the provisions and requirements of Utah Code Ann. § 40-6-1 *et seq.*, Utah Administrative Code R649-3-1 *et seq.*, and the attached Conditions of Approval, approval to drill the referenced well is granted.

This approval shall expire one year from the above date unless substantial and continuous operation is underway, or a request for extension is made prior to the expiration date. The API identification number assigned to this well is 43-019-31546.

Sincerely,

Gil Hunt
Associate Director

er
Enclosures

cc: Grand County Assessor
Bureau of Land Management, Moab Office
SITLA



Operator: Tidewater Oil & Gas Company, LLC

Well Name & Number Cactus Rose 16-11-2118

API Number: 43-019-31546

Lease: ML 47575

Location: NW NW **Sec.** 16 **T.** 21 South **R.** 18 East

Conditions of Approval

1. General

Compliance with the requirements of Utah Admin. R. 649-1 *et seq.*, the Oil and Gas Conservation General Rules, and the applicable terms and provisions of the approved Application for permit to drill.

2. Notification Requirements

The operator is required to notify the Division of Oil, Gas and Mining of the following action during drilling of this well:

- 24 hours prior to cementing or testing casing – contact Dan Jarvis
- 24 hours prior to testing blowout prevention equipment – contact Dan Jarvis
- 24 hours prior to spudding the well – contact Carol Daniels
- Within 24 hours of any emergency changes made to the approved drilling program – contact Dustin Doucet
- Prior to commencing operations to plug and abandon the well – contact Dan Jarvis

The operator is required to get approval from the Division of Oil, Gas and Mining before performing any of the following actions during the drilling of this well:

- Plugging and abandonment or significant plug back of this well – contact Dustin Doucet
- Any changes to the approved drilling plan – contact Dustin Doucet

The following are Division of Oil, Gas and Mining contacts and their telephone numbers (please leave a voice mail message if the person is not available to take the call):

- Dan Jarvis at: (801) 538-5338 office (801) 942-0873 home
- Carol Daniels at: (801) 538-5284 office
- Dustin Doucet at: (801) 538-5281 office (801) 733-0983 home

3. Reporting Requirements

All required reports, forms and submittals will be promptly filed with the Division, including but not limited to the Entity Action Form (Form 6), Report of Water Encountered During Drilling (Form 7), Weekly Progress Reports for drilling and completion operations, and Sundry Notices and Reports on Wells requesting approval of change of plans or other operational actions.

4. Compliance with the State of Utah Antiquities Act forbids disturbance of archeological, historical, or paleontological remains. Should archeological, historical or paleontological remains be encountered during your operations, you are required to immediately suspend all operations and immediately inform the Trust Lands Administration and the Division of State History of the discovery of such remains.
5. Compliance with the Conditions of Approval/Application for Permit to Drill outlined in the Statement of Basis. (Copy Attached)
6. This proposed well is located in an area for which drilling units (well spacing patterns) have not been established through an order of the Board of Oil, Gas and Mining (the "Board"). In order to avoid the possibility of waste or injury to correlative rights, the operator is requested, once the well has been drilled, completed, and has produced, to analyze geological and engineering data generated therefrom, as well as any similar data from surrounding areas if available. As soon as is practicable after completion of its analysis, and if the analysis suggests an area larger than the quarter-quarter section upon which the well is located is being drained, the operator is requested to seek an appropriate order from the Board establishing drilling and spacing units in conformance with such analysis by filing a Request for Agency Action with the Board.
7. Cement volume for the 5-1/2" production string shall be determined from actual hole diameter in order to place cement from the pipe setting depth back to $\pm 2200'$ MD as indicated in the submitted drilling plan.

DIVISION OF OIL, GAS AND MINING

SPUDDING INFORMATION

Name of Company: TIDEWATER OIL & GAS COMPANY, LLC

Well Name: CACTUS ROSE 16-11-2118

Api No: 43-019-31546 Lease Type: STATE

Section 16 Township 21S Range 18E County GRAND

Drilling Contractor PETE MARTIN DRLG RIG # RATHOLE

SPUDDED:

Date 08/16/07

Time 3:00 PM

How DRY

Drilling will Commence: _____

Reported by NEUT BURKHALTER

Telephone # (970) 260-0765

Date 08/17/07 Signed CHD

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

FORM 9

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.

1. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER _____		5. LEASE DESIGNATION AND SERIAL NUMBER: State ML47575
2. NAME OF OPERATOR: TIDEWATER OIL & GAS COMPANY, LLC		6. IF INDIAN, ALLOTTEE OR TRIBE NAME: _____
3. ADDRESS OF OPERATOR: 110 16th St., Suite 1220 City Denver STATE CO ZIP 80202		7. UNIT or CA AGREEMENT NAME: Cactus Rose
4. LOCATION OF WELL FOOTAGES AT SURFACE: 477 FNL, 579 FWL		8. WELL NAME and NUMBER: Cactus Rose 16-11-2118
5. PHONE NUMBER: (303) 488-0656		9. API NUMBER: 3300 43-019-31546
6. COUNTY: Grand		10. FIELD AND POOL, OR WILDCAT: Wildcat
7. STATE: UTAH		

11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION		
<input checked="" type="checkbox"/> NOTICE OF INTENT (Submit in Duplicate) Approximate date work will start: 9/13/2007	<input type="checkbox"/> ACIDIZE	<input type="checkbox"/> DEEPEN	<input type="checkbox"/> REPERFORATE CURRENT FORMATION
<input type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion:	<input type="checkbox"/> ALTER CASING	<input type="checkbox"/> FRACTURE TREAT	<input type="checkbox"/> SIDETRACK TO REPAIR WELL
	<input type="checkbox"/> CASING REPAIR	<input type="checkbox"/> NEW CONSTRUCTION	<input type="checkbox"/> TEMPORARILY ABANDON
	<input type="checkbox"/> CHANGE TO PREVIOUS PLANS	<input type="checkbox"/> OPERATOR CHANGE	<input type="checkbox"/> TUBING REPAIR
	<input type="checkbox"/> CHANGE TUBING	<input type="checkbox"/> PLUG AND ABANDON	<input type="checkbox"/> VENT OR FLARE
	<input type="checkbox"/> CHANGE WELL NAME	<input type="checkbox"/> PLUG BACK	<input type="checkbox"/> WATER DISPOSAL
	<input type="checkbox"/> CHANGE WELL STATUS	<input type="checkbox"/> PRODUCTION (START/RESUME)	<input type="checkbox"/> WATER SHUT-OFF
	<input type="checkbox"/> COMINGLE PRODUCING FORMATIONS	<input type="checkbox"/> RECLAMATION OF WELL SITE	<input checked="" type="checkbox"/> OTHER: Drill Deeper than Permitted
	<input type="checkbox"/> CONVERT WELL TYPE	<input type="checkbox"/> RECOMPLETE - DIFFERENT FORMATION	

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc.

Well is permitted to 5500 ft.

A review of geology suggests that the well be drilled to 6500 ft to satisfy requirement of Unit and to reach objective of Chinle formation.

RECEIVED
SEP 11 2007
DIV. OF OIL, GAS & MINING

NAME (PLEASE PRINT) J. N. Burkhalter	TITLE Agent for Tidewater Oil & Gas Company, LLC
SIGNATURE <i>J. N. Burkhalter</i>	DATE 09/11/07

(This space for State use only)

COPY SENT TO OPERATOR
Date: 10/15/07
Initials: *CD*

(5/2000)

APPROVED BY THE STATE
OF UTAH DIVISION OF
OIL, GAS, AND MINING
DATE: 10/15/07
BY: *[Signature]*
Verbal given 10/12/07
* Cement shall be brought back to 2200' on
production string.

TIDEWATER OIL & GAS COMPANY LLC

110 16th Street, Suite 1220

Denver, Colorado 80202

(303) 468-0656

September 11, 2007

Via Fax: 801-359-3940

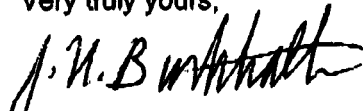
Dustin Doucett
Utah Oil & Gas Conservation Commission
P.O. Box 145801
Salt Lake City, UT 84114

Re: Drill Cactus Rose 16-11-2118 Deeper

Dear Dustin:

Enclosed is a Sundry requesting approval to drill the referenced well deeper than originally permitted. I believe it was originally permitted to 5500 ft. A review of the geology suggests that to meet the requirement of the Federal Unit and to reach the objective Chinle Formation, we may have to drill as deep as 6500 ft.

Very truly yours,



J. N. Burkhalter, PE

RECEIVED
SEP 11 2007
DIV. OF OIL, GAS & MINING

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

FORM 6

ENTITY ACTION FORM

Operator: Tidewater Oil & Gas, LLC Operator Account Number: N 3000
Address: 110 16TH Street, Suite 1220
city Denver
state CO zip 80202 Phone Number: (303) 468-0656

Well 1

API Number	Well Name	QQ	Sec	Twp	Rng	County
4301931546	Tidewater Cactus Rose 16-11-2118	NWNW	16	21S	18E	Grand
Action Code	Current Entity Number	New Entity Number	Spud Date	Entity Assignment Effective Date		
FA	99999	16416	8/16/2007	10/17/07		
Comments: WINGT						

Well 2

API Number	Well Name	QQ	Sec	Twp	Rng	County
Action Code	Current Entity Number	New Entity Number	Spud Date	Entity Assignment Effective Date		
Comments:						

Well 3

API Number	Well Name	QQ	Sec	Twp	Rng	County
Action Code	Current Entity Number	New Entity Number	Spud Date	Entity Assignment Effective Date		
Comments:						

ACTION CODES:

- A - Establish new entity for new well (single well only)
- B - Add new well to existing entity (group or unit well)
- C - Re-assign well from one existing entity to another existing entity
- D - Re-assign well from one existing entity to a new entity
- E - Other (Explain in 'comments' section)

RECEIVED

SEP 27 2007

R.E. KNIGHT

Name (Please Print)

Signature
AGENT

Title

6/13/2007

Date

NICK SAMPINOS

897 North 100 East • Price, Utah 84501

Tel: (435)637-7131 (home)
(435)637-9000 (office)

E-Mail: nsampinos@emerytelcom.net

Facsimile: (435)637-2111

November 20, 2007

Bart Kettle
State of Utah, Department of Natural Resources
Oil and Gas Program
Price Field Office
455 West Railroad Avenue
Price, UT 84501

Cactus Rose
16-11-2118
APL #
43-019-31546
JIS 18E 16

RE: Tidewater – Cactus Rose # 16-11-2118

Bart:

This letter is submitted as a follow-up regarding the action taken by Jim Jones, President of Tidewater, to construct a well pad on an existing stock watering pond in the Horse Canyon Allotment in Grand County, Utah. I've had some discussion with Mr. Jones regarding that matter. This shall further confirm that I met with Mr. Jones on site on September 14, 2007 at 9:00 a.m. Accompanying Mr. Jones was Newt Burkhalter, an independent consultant. We discussed a plan of action to address Tidewater's impact on the existing stock watering pond.

Following consideration of several alternatives, we concluded that the best course of action for all parties would be to clean out the existing pond and repair the existing spillway. In doing so, no additional land would have to be disturbed. Mr. Jones agreed to reconstruct the pond at its existing location and dozer work commenced on September 17, 2007. I received a call from Mr. Burkhalter confirming that work on the pond site was completed on September 20, 2007.

On Friday evening, September 21, through Saturday morning, September 22, 2007, that area received considerable rain, which results in the pond being filled. On Monday, September 24, 2007 I visited the pond site and confirmed that the stock watering pond had been reconstructed as reported and that the pond was full of water. I noticed, however, that runoff water from the well pad was undercutting the southeastern edge of the spillway and that the spillway itself had suffered some erosion. I then discussed these observations with Mr. Jones and Mr. Burkhalter by phone the following day. Mr. Burkhalter advised me that corrective action would be taken to address the erosion of the spillway.

Further remedial action was performed by Tidewater's contractor. I was informed by Mr. Burkhalter that the repair work was completed and the spillway should now be more stable. On November 17, 2007 I visited the site and observed some remedial work had been done on the spillway that will hopefully reduce the erosion.

Bart Kettle
State of Utah, Department of Natural Resources
Oil and Gas Program
November 20, 2007
Page 2

This now concludes my dealings with Tidewater on this issue. I indicated to Mr. Jones and Mr. Burkhalter that following completion of the project to my satisfaction I would so notify your office and that of Mr. Bonner.

This shall further confirm that Mr. Jones did acknowledge and apologize for his construction of the well site on top of the existing stock watering pond. He did live up to his promise to address the problem and fix the pond. He had indicated that he would even haul water as may be needed this winter in the event that further rainstorms did not occur to fill the pond. Fortunately, additional rain fell resulting in the pond being filled.

Mr. Burkhalter and I further discussed the reality that cows would enter the pond site to drink water and, in doing so, may impact the well's operation. He indicated that this should pose no problem for Tidewater and the operator of the well. Mr. Burkhalter further indicated that if a well is developed, the necessary precautions will be taken by Tidewater to fence off the pump apparatus to avoid contact by the cattle.

If you have any questions or need any additional information, please let me know. It was a pleasure dealing with your office. We appreciate your involvement and we firmly believe that the issuance of the NOV and the insistence by your office and Mr. Bonner that my concerns be addressed were the primary motivating factors in having Mr. Jones and Tidewater cooperate with reconstruction of the pond.

Again, we truly appreciate your efforts.

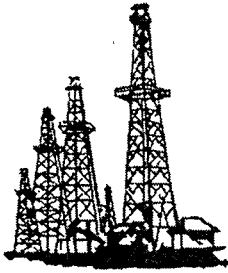
Sincerely,



Nick Sampinos

NS/nm

Xc: Newt Burkhalter
Dusty Carpenter, BLM (via - e-mail)
Jim Jones (via fax)
Ed Bonner (via fax)



*Petroleum and Energy Consultants
Registered in Rocky Mountain States
Oil & Gas Production*

BURKHALTER ENGINEERING, INC.

751 Horizon Ct., Suite 245
P.O. Box 60095
Grand Junction, Co 81506
Telephone (970) 243-6060
Fax (970) ~~243-6060~~ 243-6060
Mobile (970) 260-0765

January 3, 2008

Dustin Doucet
Division of Oil, Gas & Mining
P.O. Box 145801
Salt Lake City, UT 84114-5801

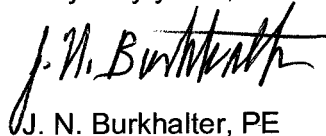
Re: Sundry Notice
Tidewater Oil & Gas Company LLC
Cactus Rose 16-11-2118
NWNW Sec 16, T21S, R18E, SLM
Grand County, Utah

Dear Dustin:

Enclosed is a Sundry Notice describing the casing and cement job done at the end of drilling the referenced well.

Please call if you have questions/need further information.

Very truly yours,



J. N. Burkhalter, PE

cc: Jim Jones

RECEIVED

JAN 07 2008

DIV. OF OIL, GAS & MINING

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

FORM 9

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.

1. TYPE OF WELL OIL WELL ☐ GAS WELL ☐ OTHER New Well

2. NAME OF OPERATOR:
TIDEWATER OIL & GAS COMPANY LLC

3. ADDRESS OF OPERATOR:
110 16th Street, Suite 1220 CITY Denver STATE CO ZIP 80202

PHONE NUMBER:
(303) 468-0656

4. LOCATION OF WELL

FOOTAGES AT SURFACE: 477 FNL, 579 FWL,

COUNTY: Grand

QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: NWNW 16 21S 18E S

STATE: UTAH

5. LEASE DESIGNATION AND SERIAL NUMBER:
ML47575

6. IF INDIAN, ALLOTTEE OR TRIBE NAME:

7. UNIT or CA AGREEMENT NAME:
Cactus Rose

8. WELL NAME and NUMBER:
Cactus Rose 16-11-2118

9. API NUMBER:
~~31546~~ 43-019-21546

10. FIELD AND POOL, OR WILDCAT:
Wildcat

11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION		
<input type="checkbox"/> NOTICE OF INTENT (Submit in Duplicate) Approximate date work will start: _____	<input type="checkbox"/> ACIDIZE	<input type="checkbox"/> DEEPEN	<input type="checkbox"/> REPERFORATE CURRENT FORMATION
	<input type="checkbox"/> ALTER CASING	<input type="checkbox"/> FRACTURE TREAT	<input type="checkbox"/> SIDETRACK TO REPAIR WELL
	<input type="checkbox"/> CASING REPAIR	<input type="checkbox"/> NEW CONSTRUCTION	<input type="checkbox"/> TEMPORARILY ABANDON
	<input type="checkbox"/> CHANGE TO PREVIOUS PLANS	<input type="checkbox"/> OPERATOR CHANGE	<input type="checkbox"/> TUBING REPAIR
	<input type="checkbox"/> CHANGE TUBING	<input type="checkbox"/> PLUG AND ABANDON	<input type="checkbox"/> VENT OR FLARE
<input checked="" type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion: 10/26/2007	<input type="checkbox"/> CHANGE WELL NAME	<input type="checkbox"/> PLUG BACK	<input type="checkbox"/> WATER DISPOSAL
	<input type="checkbox"/> CHANGE WELL STATUS	<input type="checkbox"/> PRODUCTION (START/RESUME)	<input type="checkbox"/> WATER SHUT-OFF
	<input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS	<input type="checkbox"/> RECLAMATION OF WELL SITE	<input checked="" type="checkbox"/> OTHER: <u>Run Pipe</u>
	<input type="checkbox"/> CONVERT WELL TYPE	<input type="checkbox"/> RECOMPLETE - DIFFERENT FORMATION	

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc.

1. TD 6273, PBTD 4387, TD reached 10/25/07

2. Ran 101 jts 5 1/2", 17 lb, N80 csg. Landed 4387 KB, DV Tool at 3374. 1st stage 650 sx Halcem System, 13.5 lb/gal, 1.45 cuft/sk. Good returns, bumped bottom plug w/ 1200, floats held. Opened DV tool, pumped 90 bbls cement off top of DV tool. Circulated 4 hrs, pumped 2nd Stage. Same cmt as 1st Stage, pumped 500 sx. Good returns throughout all stages. Closed DV tool with 2200, held tight. Ran Pipe 10/26/07

3. Waiting on Completion Tools.

NAME (PLEASE PRINT) J. N. Burkhalter

TITLE Agent

SIGNATURE

DATE

01/03/2008

(This space for State use only)

RECEIVED

JAN 07 2008

DIV. OF OIL, GAS & MINING

Division of Oil, Gas and Mining
OPERATOR CHANGE WORKSHEET

ROUTING

1. DJJ

2. CDW

X - Change of Operator (Well Sold)

Operator Name Change/Merger

The operator of the well(s) listed below has changed, effective:

2/12/2008

FROM: (Old Operator):

N3000-Tidewater Oil & Gas Company, LLC
 110 16th St, Suite 1200
 Denver, CO 80202

Phone: 1 (303) 327-7134

TO: (New Operator):

N3440-NAE, LLC
 16800 Imperial Valley Dr, Suite 380
 Houston, TX 77060

Phone: 1 (281) 931-8933

CA No.

Unit:

CACTUS ROSE

WELL NAME	SEC	TWN	RNG	API NO	ENTITY NO	LEASE TYPE	WELL TYPE	WELL STATUS
CACTUS ROSE MSC 2-1	02	210S	180E	4301931402	14306	State	OW	S
CACTUS ROSE 36-43-2217	36	220S	170E	4301931535	16184	State	OW	PA
CACTUS ROSE 16-11-2118	16	210S	180E	4301931546	16416	State	OW	DRL

OPERATOR CHANGES DOCUMENTATION

Enter date after each listed item is completed

- (R649-8-10) Sundry or legal documentation was received from the **FORMER** operator on: 2/26/2008
- (R649-8-10) Sundry or legal documentation was received from the **NEW** operator on: 2/22/2008
- The new company was checked on the **Department of Commerce, Division of Corporations Database** on: 1/15/2008
- a. Is the new operator registered in the State of Utah: Business Number: 6666480-0161
- b. If **NO**, the operator was contacted on: IN PLACE
- a. (R649-9-2) Waste Management Plan has been received on: ok
- b. Inspections of LA PA state/fee well sites complete on: ok
- c. Reports current for Production/Disposition & Sundries on: ok
- Federal and Indian Lease Wells:** The BLM and or the BIA has approved the merger, name change, or operator change for all wells listed on Federal or Indian leases on: BLM not yet BIA
- Federal and Indian Units:**
The BLM or BIA has approved the successor of unit operator for wells listed on: not yet
- Federal and Indian Communization Agreements ("CA"):**
The BLM or BIA has approved the operator for all wells listed within a CA on: n/a
- Underground Injection Control ("UIC")** The Division has approved UIC Form 5, **Transfer of Authority to Inject**, for the enhanced/secondary recovery unit/project for the water disposal well(s) listed on: n/a

DATA ENTRY:

- Changes entered in the **Oil and Gas Database** on: 2/27/2008
- Changes have been entered on the **Monthly Operator Change Spread Sheet** on: 2/27/2008
- Bond information entered in RBDMS on: 2/27/2008
- Fee/State wells attached to bond in RBDMS on: 2/27/2008
- Injection Projects to new operator in RBDMS on: n/a
- Receipt of Acceptance of Drilling Procedures for APD/New on: 2/27/2008

BOND VERIFICATION:

- Federal well(s) covered by Bond Number: UTB000296
- Indian well(s) covered by Bond Number: n/a
- a. (R649-3-1) The **NEW** operator of any fee well(s) listed covered by Bond Number 8030575893
- b. The **FORMER** operator has requested a release of liability from their bond on: 2/22/2008
The Division sent response by letter on: n/a

LEASE INTEREST OWNER NOTIFICATION:

- (R649-2-10) The **NEW** operator of the fee wells has been contacted and informed by a letter from the Division of their responsibility to notify all interest owners of this change on: n/a

COMMENTS:

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

FORM 9

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.

5. LEASE DESIGNATION AND SERIAL NUMBER:

6. IF INDIAN, ALLOTTEE OR TRIBE NAME:

7. UNIT or CA AGREEMENT NAME:

1. TYPE OF WELL

OIL WELL ☐

GAS WELL ☐

OTHER _____

8. WELL NAME and NUMBER:

see Attached List

2. NAME OF OPERATOR:

NAE, LLC

N3440

9. API NUMBER:

3. ADDRESS OF OPERATOR:

16800 Imperial Valley Dr.

CITY

Ste. 380 HOUSTON

STATE

TX

ZIP

77060

PHONE NUMBER:

(281) 931-8933

10. FIELD AND POOL, OR WILDCAT:

4. LOCATION OF WELL

FOOTAGES AT SURFACE:

COUNTY:

QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN:

STATE:

UTAH

11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION

TYPE OF ACTION

☐ NOTICE OF INTENT
(Submit in Duplicate)

Approximate date work will start:

☐ SUBSEQUENT REPORT
(Submit Original Form Only)

Date of work completion:

☐ ACIDIZE

☐ ALTER CASING

☐ CASING REPAIR

☐ CHANGE TO PREVIOUS PLANS

☐ CHANGE TUBING

☐ CHANGE WELL NAME

☐ CHANGE WELL STATUS

☐ COMMINGLE PRODUCING FORMATIONS

☐ CONVERT WELL TYPE

☐ DEEPEN

☐ FRACTURE TREAT

☐ NEW CONSTRUCTION

☒ OPERATOR CHANGE

☐ PLUG AND ABANDON

☐ PLUG BACK

☐ PRODUCTION (START/RESUME)

☐ RECLAMATION OF WELL SITE

☐ RECOMPLETE - DIFFERENT FORMATION

☐ REPERFORATE CURRENT FORMATION

☐ SIDETRACK TO REPAIR WELL

☐ TEMPORARILY ABANDON

☐ TUBING REPAIR

☐ VENT OR FLARE

☐ WATER DISPOSAL

☐ WATER SHUT-OFF

☐ OTHER: _____

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc.

NAE, LLC will be assuming all plugging and reclamation liabilities for the wells on the schedule attached hereto.

Effective Date: 2/12/08

Federal Bond Number: UTB000296

State Bond Number: 8030575893

Name: Tidewater Oil & Gas Company LLC. Address: 110 16th St., Ste 1200, Denver, CO 80202

Signature: _____

Title: _____

Date: _____

02/21/08

NAME (PLEASE PRINT)

MICHAEL CORWISCH

TITLE

MANAGER NAE

SIGNATURE

DATE

2/13/08

(This space for State use only)

APPROVED 2127108

Earlene Russell

Division of Oil, Gas and Mining
Earlene Russell, Engineering Technician

(5/2000)

(See Instructions on Reverse Side)

RECEIVED

FEB 22 2008

DIV. OF OIL, GAS & MINING

**NOTICE OF LATE REPORTING
DRILLING & COMPLETION INFORMATION**

Utah Oil and Gas Conservation General Rule R649-3-6 states that,

- Operators shall submit monthly status reports for each drilling well (including wells where drilling operations have been suspended).

Utah Oil and Gas Conservation General Rule R649-3-21 states that,

- A well is considered completed when the well has been adequately worked to be capable of producing oil or gas or when well testing as required by the division is concluded.
- Within 30 days after the completion or plugging of a well, the following shall be filed:
 - Form 8, Well Completion or Recompletion Report and Log
 - A copy of electric and radioactivity logs, if run
 - A copy of drillstem test reports,
 - A copy of formation water analyses, porosity, permeability or fluid saturation determinations
 - A copy of core analyses, and lithologic logs or sample descriptions if compiled
 - A copy of directional, deviation, and/or measurement-while-drilling survey for each horizontal well

Failure to submit reports in a timely manner will result in the issuance of a Notice of Violation by the Division of Oil, Gas and Mining, and may result in the Division pursuing enforcement action as outlined in Rule R649-10, Administrative Procedures, and Section 40-6-11 of the Utah Code.

As of the mailing of this notice, the division has not received the required reports for

Operator: NAE, LLC Today's Date: 04/21/2008

Well:	API Number:	Drilling Commenced:
Cactus Rose 16-11-2118 21S 18E 16	4301931546	08/16/2007

☐ List Attached

To avoid compliance action, required reports should be mailed within 7 business days to:

Utah Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
P.O. Box 145801
Salt Lake City, Utah 84114-5801

If you have questions or concerns regarding this matter, please contact Rachel Medina
at (801) 538-5260.

cc: Well File
Compliance File

43-019-31546
16 215 18e

Cactus Rose 16-11-2118
NAE, LLC

COMPLETION

DATE	ACTIVITY
03/02/08	<p>PBTD = 4216</p> <p>1200 hrs csg on vacuum. Tbg 0. Left well shut in. Plan to check pressures and FL and swab fluid and get sample, then rig down and move to the Fed 29-44-2119 for maintenance work. Note: There are 783 bbls new diesel in tanks not yet charged for in Report. Cost is \$147.00/bbl = \$115,101 not in Cost Report.</p> <p>Daily Costs \$2,352 Cumulative Costs \$462,890</p>
03/01/08	<p>PBTD = 4216</p> <p>Well died about 2400 hrs (midnight). Began swabbing 0700. Swabbed down by 1100 hrs. Made one swab run per hr until 1500 hrs. Made about 100' rise (FL 2900) every hr. Small amount of gas vapors visible during swab pull. Fluid smells and feels more condensate. Casing on vacuum. Shut well in and shut down for week end at 1500 hrs. Total recovery 343 bbls diesel (load 359 bbls diesel). Will check well pressure tomorrow.</p> <p>Daily Costs \$7,538 Cumulative Costs \$460,538</p>
02/29/08	<p>PBTD = 4216</p> <p>After pulling Tree Saver last night, hooked up and flowed well from casing to tanks. Flowed 75 bbls water to flat tank and 175 bbls diesel to slop tank by 0800. Run 95 jts 2 7/8 tbg, landed SN at 2992 KB. Perfs 3004 to 3022. Install tbg head. Well exhibiting small amount of gas vapors. Still pure diesel in throwback Had recovered 258 bbls diesel by 1600 hrs (Load 359 bbls). Continue to flow well overnight</p> <p>Daily Costs \$9,900 Cumulative Costs \$453,000</p>
02/28/08	<p>PBTD = 4216</p> <p>Csg pressure 1725 psig. Hooked up to blow to pit through 1/2" choke. Opened well, blew down in 5 mins. Pure diesel filling both tbg and csg. No gas. Swabbed well down by 1030 hrs. Recovered 15 bbls water to flat tank, 45 bbls diesel to slop tank. On-site fire fighters & water truck hooked up and in position. Had safety meeting (23 head count). Test surface lines to 8000 psi, no leaks, pump diesel out of slop tank into csg, catch press 58 bbls in. 6700 at 4.5 bpm, 7000 at 21 bpm. 6960 breakdown pressure, ISIP 5109. Pumped 91 bbls diesel at 21 bpm. Removed tree saver, started well flowing water to flat tank. Will keep two rig hands at well all night or until well stops flowing. "Used diesel": 264 bbls "New Diesel": 95 bbls, Total diesel this job = 359 bbls Clean Diesel in Tanks = 783 bbls (Difference is in Bottoms in "clean" slop tank (33 bbls))</p> <p>Daily Costs \$66,370 Cumulative Costs \$443,100</p>
02/27/08	<p>PBTD = 4216</p> <p>Well shut in - waiting on frac. Csg pressure 354 psig, Unable to check tbg pressure as TIW vlv handle locked up. Check pressure on well, then flow tbg to pit and check content. Will also catch gas sample for analysis. Have alerted Stinger, On-Site and S&S (water) for tomorrow for pump-in. Will have hot oil truck in tomorrow afternoon to heat the clean diesel to 80° F. Will have fire fighters standing by. Will attempt to get meaningful ISIP.</p> <p>Daily Costs \$2,300 Cumulative Costs \$376,730</p>
02/26/08	<p>PBTD = 4216</p> <p>Well shut in - waiting on frac. Csg pressure 50 psig, Unable to check tbg pressure as TIW vlv handle locked up. Diesel tanks are full and will be accurately gauged in daylight tomorrow. Approximately 21,000 gal received.</p>

RECEIVED

JUN 27 2008

DIV. OF OIL, GAS & MINING

**Cactus Rose 16-11-2118
NAE, LLC**

COMPLETION

DATE	ACTIVITY
	Daily Costs \$2,300 Cumulative Costs \$374,430
02/25/08	Well shut in - waiting on frac. Csg pressure 15 psig, tbg pressure Ø - no discernible pressure. PBTD = 4216
	Daily Costs \$119,829 Cumulative Costs \$372,130
02/24/08	PBTD = 4216 GIH w/ tbg to 3110', did not touch anything. Pulled up to 3000', circulated frac fluid out of hole w/ KCl water. Circulated frac fluid to "slop tank". Swabbed FL down to 1800' to 2000', POOH w/ tbg. Perfed 3004' to 3022' w/ 3 spf, w/ 3 3/8" with expendable gun. GIH w/ tbg to swab, FL @1000'. Swabbed 35 bbls to flat tank, all KCl water. FL @2900', last sample trace of dark color, no odor. Shut well in.
	Daily Costs \$11,400 Cumulative Costs \$252,301
02/23/08	PBTD = 4216 POOH w/ tbg, PU scraper, GIH to 3048' to be sure all balls off csg. Swab out well - 10 bbls. First indicates presence of crude oil. POOH w/ tbg, install wellhead isolation tool. Trouble spotting trucks on soft location. 8000 hydraulic hp hooked up. Begin loading hole w/ gelled diesel @1330 hrs. Hole volume to perfs: 70 bbls, caught pressure at 55 bbls - casing had filled up w/ 15 bbls fluid in approx 3 hrs. Established injection rate at 14.5 bpm, 6500 psi decreasing to 5800. Start 1 ppg 20/40 sand. Well screened out during time sand was entering perfs. Pressure went to 6800 PSI. Tried surging back 3 times, then to 7400 psi - same result. Shut down job, blew down well to waste tank.
	Daily Costs \$72,338 Cumulative Costs \$240,901
02/22/08	PBTD = 4216 Frac Fluid flowed back @1 bbl/hr. Ran tbg to 3048 (perfs 3004 to 3022) and swabbed out well. Very limited fluid entry. Total frac fluid recovered 155 bbls (load 199 bbls). Plan to frac tomorrow.
	Daily Costs \$5,500 Cumulative Costs \$168,563
02/21/08	FC 4388' Monument Oil finished filling one frac tank w/ diesel overnight. CalFrac on location and rigging up. Install wellhead isolation tool. Held safety meeting with personell on location and went over all possible hazards. Tested all surface lines to 7500 psi. Filled csg w/ diesel. Began catching pressure at 55 bbls in (capacity to perfs 70 bbls). At 4 to 5 bpm pressure broke from 3200 back to 2750. Increased to 20 bpm and press @5600 PSI, then on to 6200 PSI. Surged back several times, but could not reestablish injection rate. At 6 to 7 bpm press went up to 5950. Surged again, but could not pump any rate. Watched pressure for 15 mins, removed wellhead isolation tool and flowed back to tank. Well flowed a steady stream of diesel to tank. 2000 hrs load recovery approximately 34 bbls, still flowing back load. Left 2 hands at well for night to watch flow.
	Daily Costs \$27,200 Cumulative Costs \$163,063
02/20/08	FC 4388' Rig up RMWS. Pick up lubricator and 3 3/8 expendable perf gun loaded w/ 22.7 gram charges, 0.36" holes, 120° phasing as follows: 6 holes 3018 to 3021; 6 holes 3012 to 3014; 6 holes 3004 to 3006. All shots fired. Rig down RMWS, pick up Howco tension pkr on 2 7/8 tbg, GIH w/ 95 jts 2 7/8 tbg, set pkr 2985+/- , start swabbing. Swabbed down to SN at 1130 hrs. Wait 1 hr, no fluid entry. Unlatch pkr swab all KCl water out of hole, POOH

Cactus Rose 16-11-2118**NAE, LLC****COMPLETION**

DATE	ACTIVITY
	<p>w/ pkr, ready for breakdown tomorrow. Working on road to accommodate diesel tankers and frac trucks. Rec'd 13,000 gals diesel by 2000 hrs w/ 6500 more promised by 0700 tomorrow morning. CalFrac moved in Sand Master today. Ordered tree saver for frac treatment. Filled water tank so fire crew can make foam if required</p> <p>Daily Costs \$14,858 Cumulative Costs \$135,863</p>
02/19/08	<p>FC 4388' Set CIBP at 4240 (perfs 4260 to 4272), filled csg, pumped up to 1000 psi, held OK. Dumped two dump balers of cement on top of CIBP filled csg 24'. This was cleared with Bart Kettle and Dustin Doucet of Utah Oil, Gas and Mining ahead of time.</p> <p>Daily Costs \$11,113 Cumulative Costs \$121,005</p>
02/18/08	<p>FC 4388' Well has been shut in since 1500 hrs on 02/16/08: Csg - 0 press; tbg - 0 press. Rocky Mountain Wireline to set CIBP, dump two balers of cement on top of CIBP and perforate the Mancos 3004 to 3022 w/ 1 spf. Two clean 500 bbl frac tanks to be moved in tomorrow in preparation for red diesel frac fluid. Pressure was checked at 1200 hrs (noon) today.</p> <p>Daily Costs \$2,200 Cumulative Costs \$109,892</p>
02/17/08	<p>FC 4388' Well is shut in for observation.</p> <p>Daily Costs \$200 Cumulative Costs \$107,692</p>
02/16/08	<p>FC 4388' Finished POOH w/ pkr, lay down pkr (it LOOKED OK), GIH w/ tbg, land SN 4273 (perfs 4260 to 4272) and begin swabbing. No gas at all today. Swabbed down to SN. Watched and checked well until 1500 hrs and saw no fluid entry for 4 hrs after swabbing down to SN. Shut well in and operation down until Tuesday. Will check pressures Monday morning.</p> <p>Daily Costs \$5,200 Cumulative Costs \$107,492</p>
02/15/08	<p>FC 4388' Fluid loaded and hooked up at 1145 hrs. Conducted a safety meeting of everyone and then we started the breakdown. At 5.25 bpm the pressure stayed steady at 3450 - no big breaks at all. ISIP 2750, 15 min pressure 2341. Set slips, nipped down Howco and csg pressure went to over 2000. Small amount of water flowing from tbg. Installed TIW valve, closed it and csg pressure immediately began climbing. Picked up on tbg and pkr no longer latched. Csg pressure was normal during job. Pumped up csg to 900 psi before job and it decreased normally through out job. Began swabbing and started getting crude oil after five runs. Could see a little gas, but it would not burn. Dropped standing valve, pumped up tbg to 2000, it held tight. POOH w/ pkr.</p> <p>Daily Costs \$35,300 Cumulative Costs \$102,292</p>
02/14/08	<p>FC 4388' Well: No pressure, about 100' of water on top of SN. We got 4 to 6" of very wet snow on top of sinking mud overnight. It did not freeze. Physical conditions TOUGH. Necessary to get S&S out w/ grader and then dozer to get Howco trucks into location. S&S was occupied most of</p>

Cactus Rose 16-11-2118
NAE, LLC

COMPLETION

DATE	ACTIVITY
	<p>morning w/ pulling trucks out of ditch on I-70. I-70 was very slick & treacherous until 1000 hrs. We tried very hard, but it took until 1800 hrs to get Howco pump truck to location. Nearly tipped big pump truck over in soft mud. All equipment is now on location along w/ chemicals in proper amounts. Plan to pump job first thing in morning. It is hoped that it will freeze tonight and that road will be better tomorrow. No one could leave location while eqpt was pulling in trucks.</p> <p>Daily Costs \$5,600 Cumulative Costs \$66,992</p>
02/13/08	<p>FC 4388' Xylene got to location about 1200 hrs. Only had 275 gals instead of 400 as ordered. They did not have metering pumps necessary to mixing musol and xylene "on the fly". It was decided that the musol could be mixed into the acid, but it was imperative that the xylene be mixed as the acid was pumped. Howco could not get everything needed before 1400 hrs, so job was delayed until tomorrow. I am going to take over acquiring chemicals and went to Grand junction to check availability of chemicals. Well: no pressure, maybe 100' of water on top of SN.</p> <p>Daily Costs \$4,400 Cumulative Costs \$61,392</p>
02/12/08	<p>FC 4388' Perforating job went without a hitch. Perfed 5 1/2" 17 lb 4260 to 4272 KB Perfed w/ 3 1/8 expendable gun, 22.7 gram charges, 0.36" holes, 35" penetration. Tension pkr was set 4242 w/ SN on top at 0930 hrs. Well swabbed dry at 1200 hrs (noon) w/ no fluid entry all afternoon. A breakdown is scheduled for tomorrow morning.</p> <p>Daily Costs \$25,942 Cumulative Costs \$56,992</p>
02/11/08	<p>FC 4388' Howco on location 0730 hrs. GIH w/ CBL tool. Run CBL from top of Float Collar @ 4384' to 1100'. Good bond. Top of cmt at 1350'. Howco picked up 12' perf gun loaded 4 spf. Unable to detonate. POOH and put on "new" detonator - same results. Order new detonator for AM delivery. SDFN.</p> <p>Daily Costs \$3,900 Cumulative Costs \$31,050</p>
02/08/08	<p>FC 4388' Drilled through DV tool at 3378, continued tallying, rabbiting and running 2 7/8 tbg to bottom. Cleaned cement off Float Collar at 4388. POOH w/ 4 3/4 bit, picked up csg scraper for 5 1/2 17 lb and GIH to bottom. Pumped clean 3% KCl water down backside and dumped to pit from tbg. After displacing hole w/ 103 bbls clean KCl water, closed pipe rams and pumped up csg to 1000 psi. Held OK. POOH w/ tbg and fill well w/ KCl water and shut in for weekend. Howco cased hole loggers scheduled for 0730 Monday morning, Howco tools w/ tension pkr scheduled for 1000 hrs Monday, Feb 11, 2008.</p> <p>Daily Costs \$4,500 Cumulative Costs \$27,150</p>
02/07/08	<p>DV tool at 3374' Got moved onto location. Completed rigging up rig and pump and tank. Started picking up counting and tallying and rabbiting 2 7/8 EUE 8rnd tbg. Picked up 4 3/4 rock bit & tagged up on cement above DV tool. Picked up and hooked up power swivel and began drilling DV tool. S&S filled flat tank. 500 bbl frac tank arrived, plus KCl concentrate for 3% KCl. Began filling 500 bbl frac tank.</p>

Cactus Rose 16-11-2118
NAE, LLC

COMPLETION

DATE	ACTIVITY
	Daily Costs \$6,500
	Cumulative Costs \$22,650
02/06/08	Moving rig from Cortez, CO, to location. Rig was snowed in at Cortez for two days.
DV tool at 3374'	Moved from Cortez to 10 mi south of yesterday and onto location today.
	Continue hauling in eqpt and getting rigged up today.
	Daily Costs \$16,150
	Cumulative Costs \$16,150

PRODUCTION RECORD

Well No. 16-11-2118

Date	Total Fluid bbls	Oil Cut, %	bbls oil	Cum bbls oil	bbls wtr	Cum bbls wtr	Cum total fluid	fluid level	Csg Press	Tbg Press
2008	diesel									
March	recov		diesel	diesel						
1	343	100	343	343			343		suck	suck
2									suck	suck
6									16	
9									35	
13									95	76
17	Opened tbg, blew gas for few seconds then diesel/oil, got sample								320	305
18	Got sample to lab.									
19	Got crew to well, hooked up 2" hose to tbg, opened to tank. Flowed liquid immediately.									
	1155	hrs -	opened well to tank, fluid immediately.						390	
	1156	Hose jumping, can detect gas slugs w/ fluid							130	
	1157	ditto							100	
	1158	ditto							85	
	1159	ditto							75	
	1200	ditto							70	
	1202	Less gas, dying down							62	
	1205	ditto							55	
	1215	Well dead. Made 11 bbls diesel/oil into tank							55	
	1330	Well quiet, no more flow, left open to tank							55	
	NOTE: Got call from lab - black fluid "essentially the same as the diesel"									
19	11	100%	354	354			354		55	open
20	0		354	354			354		71	SI
	NOTE: Talked to lab - they were able to centrifuge "most" of black color out of sample. I asked them to analyze sediment.									
21	I went by lab to pick up sample of black liquid. Lab had a cylinder of centrifuged liquid. There was a small (3 drops size) gob of black very fine grained shale particles in bottom. The liquid was red, just like the diesel we pumped in. The black stuff was a colloidal suspension of very fine shale particles. I could see small "shinies" w/ my 10x glass - probably pyrites and similar as I've seen in drilling samples. I do not believe we have made any appreciable crude oil out of the Mancos perfs, so far.									
April										
2	Csg Press 550 psi. FL 1 jt down. Open tbg to tank, liquid immediately. Csg press down to 58 psi in 8 mins. Flowed 12 bbls of same dark diesel (caught sample for lab) w/ consideration to tank. FL after flowing - 9 jts (282 ft) down in csg. Csg Press stayed at 58. Shut well in. Left tbg open to tank.									
5	Csg Press 108, No flow up tbg. SI tbg. Collected 1 gal sample of diesel out of slop tank as instructed by Howco and delivered to Howco lab in Grand Junction. Kolor Kut slop tank - no water in slop tank. 326 bbls in slop tank. 783 bbls clean diesel in two frac tanks. Total 1109 bbls on location.									
13	Csg Press 400. Opened tbg to tank, flowed fluid immediately.									
	Time	csg press								
	1319	400	Open tbg							
	1320	150	Flowing to tank							
	1321	115	Flowing and Kicking w/ gas, gas venting from tank							
	1322	90	Ditto							

[illegible]

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

FORM 9

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.

1. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER <u>Unknown</u>		5. LEASE DESIGNATION AND SERIAL NUMBER: ML 47575
2. NAME OF OPERATOR: NAE, LLC		6. IF INDIAN, ALLOTTEE OR TRIBE NAME:
3. ADDRESS OF OPERATOR: 110 16th St, Ste 1220 CITY Denver STATE CO ZIP 80202		7. UNIT or CA AGREEMENT NAME: Cactus Rose Unit
PHONE NUMBER: (303) 327-7169		8. WELL NAME and NUMBER: CRU 16-11-2118
4. LOCATION OF WELL FOOTAGES AT SURFACE: 680' FSL, 1950' FWL		9. API NUMBER: 4301931546
QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: SESW 16 21S 18E 6		10. FIELD AND POOL, OR WILDCAT: Wildcat
COUNTY: Grand		STATE: UTAH

11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA			
TYPE OF SUBMISSION	TYPE OF ACTION		
<input type="checkbox"/> NOTICE OF INTENT (Submit in Duplicate) Approximate date work will start: _____	<input type="checkbox"/> ACIDIZE	<input type="checkbox"/> DEEPEN	<input type="checkbox"/> REPERFORATE CURRENT FORMATION
	<input type="checkbox"/> ALTER CASING	<input type="checkbox"/> FRACTURE TREAT	<input type="checkbox"/> SIDETRACK TO REPAIR WELL
	<input type="checkbox"/> CASING REPAIR	<input type="checkbox"/> NEW CONSTRUCTION	<input type="checkbox"/> TEMPORARILY ABANDON
	<input type="checkbox"/> CHANGE TO PREVIOUS PLANS	<input type="checkbox"/> OPERATOR CHANGE	<input type="checkbox"/> TUBING REPAIR
	<input type="checkbox"/> CHANGE TUBING	<input type="checkbox"/> PLUG AND ABANDON	<input type="checkbox"/> VENT OR FLARE
<input checked="" type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion: 6/30/2008	<input type="checkbox"/> CHANGE WELL NAME	<input type="checkbox"/> PLUG BACK	<input type="checkbox"/> WATER DISPOSAL
	<input type="checkbox"/> CHANGE WELL STATUS	<input type="checkbox"/> PRODUCTION (START/RESUME)	<input type="checkbox"/> WATER SHUT-OFF
	<input type="checkbox"/> COMINGLE PRODUCING FORMATIONS	<input type="checkbox"/> RECLAMATION OF WELL SITE	<input checked="" type="checkbox"/> OTHER <u>Report of well status</u>
	<input type="checkbox"/> CONVERT WELL TYPE	<input type="checkbox"/> RECOMPLETE - DIFFERENT FORMATION	<u>for May & June, 2008</u>

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc.

This well has been shut-in for the months of May & June, 2008 pending design and implementation of adding Mancos Shale perms and hydraulically fracturing the upper Mancos Shale. Waiting on approval from Utah Division of Oil, Gas & Mining.

NAME (PLEASE PRINT) <u>Walter Lowry</u>	TITLE <u>Operations Manager</u>
SIGNATURE <u>[Signature]</u>	DATE <u>6/8/2008</u>

(This space for State use only)

RECEIVED

JUL 08 2008

DIV. OF OIL, GAS & MINING

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

FORM 9

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.

1. TYPE OF WELL OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER <u>Unknown</u>		5. LEASE DESIGNATION AND SERIAL NUMBER: ML 47575
2. NAME OF OPERATOR NAE, LLC		6. IF INDIAN, ALLOTTEE OR TRIBE NAME:
3. ADDRESS OF OPERATOR: 110 16th St., Ste 1220 Denver CO 80202		7. UNIT or CA AGREEMENT NAME: Cactus Rose Unit
4. LOCATION OF WELL FOOTAGES AT SURFACE: 680' FSL, 1950' FWL		8. WELL NAME and NUMBER: CR 16-11-2118
5. PHONE NUMBER: (303) 327-7169		9. API NUMBER: 4301931546
6. COUNTY: Grand		10. FIELD AND POOL, OR WILDCAT Wildcat

QTR/QR, SECTION, TOWNSHIP, RANGE, MERIDIAN: SESW 16 21S 18E

STATE: UTAH

11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA			
TYPE OF SUBMISSION	TYPE OF ACTION		
<input checked="" type="checkbox"/> NOTICE OF INTENT (Submit in Duplicate) Approximate date work will start: <u>7/7/2008</u>	<input type="checkbox"/> ACIDIZE	<input type="checkbox"/> DEEPEN	<input checked="" type="checkbox"/> REPERFORATE CURRENT FORMATION
	<input type="checkbox"/> ALTER CASING	<input checked="" type="checkbox"/> FRACTURE TREAT	<input type="checkbox"/> SIDETRACK TO REPAIR WELL
	<input type="checkbox"/> CASING REPAIR	<input type="checkbox"/> NEW CONSTRUCTION	<input checked="" type="checkbox"/> TEMPORARILY ABANDON
	<input type="checkbox"/> CHANGE TO PREVIOUS PLANS	<input type="checkbox"/> OPERATOR CHANGE	<input type="checkbox"/> TUBING REPAIR
	<input type="checkbox"/> CHANGE TUBING	<input type="checkbox"/> PLUG AND ABANDON	<input type="checkbox"/> VENT OR FLARE
<input checked="" type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion:	<input type="checkbox"/> CHANGE WELL NAME	<input type="checkbox"/> PLUG BACK	<input type="checkbox"/> WATER DISPOSAL
	<input type="checkbox"/> CHANGE WELL STATUS	<input type="checkbox"/> PRODUCTION (START/RESUME)	<input type="checkbox"/> WATER SHUT-OFF
	<input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS	<input type="checkbox"/> RECLAMATION OF WELL SITE	<input type="checkbox"/> OTHER
	<input type="checkbox"/> CONVERT WELL TYPE	<input type="checkbox"/> RECOMPLETE - DIFFERENT FORMATION	

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc.

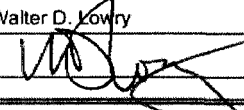
SUBSEQUENT REPORT:

On 2/6/2008 NAE rigged up Professional Well Service Rig #4 to attempt the first completion. Drilled DV tool @ 3378'. Ran CBL. Perf'd Moab Tongue formation f/ 4260'-4272' @ 4 spf. Swab dry. Breakdown Moab Tongue w/ 1000 gal 15% HCL + 100 gal Musol + 400 gal Xylene. Pump-in pressure = 3450 psi. ISIP = 2750 psi. Swab dry. SD for weekend. 0 psi on tbg & csg.

Set CIBP @ 4240'. Test to 1000 psi. Dump 24' cement on top of CIBP. Perf Mancos Shale f/ 3006'-3018' w/ 18 holes @ 120° phasing. Set pkr @ 2985' & swab down to SN. Release pkr. Swab well dry. Pull tbg. Perform breakdown of Mancos Shale perfs with diesel. 5600 psi @ 20 bpm. Flow back load. Recover 199 of 199 bbls of load. Run scraper. Attempt to frac well w/ gelled diesel @ 14.5 bpm @ 6500-5800 psi. Well screened out when 20/40 sand hit perfs. Circ frac fluid out of hole w/ KCl water. Swab down to 2000'. Reperf f/ 3004'-3022' @ 3 spf w/ 90° phasing. Attempt another breakdown w/ diesel. Pump 91 bbls @ 21 bpm @ 7000 psi. ISIP = 5109 psi. Flowback and swab back load. Recover 343 bbls of 359 bbls load. Attempt to flow test well. Well died on 4/13/2008.

NOTICE OF INTENT:

Set retrievable BP at ~ 2980' above existing Mancos Shale perfs (3004'-3022'). Perforate Mancos Shale f/ 2922'-2932' @ 3spf & 90° phasing. Perform DFIT pump-in test with diesel. Establish injection rate and fracture gradient. Perform gelled diesel frac w/ 40,000# 20/40 sand. Test upper Mancos Shale perfs. Remove temp CIBP and commingle Mancos Shale perfs.

NAME (PLEASE PRINT): <u>Walter D. Kowry</u>	TITLE: <u>Operations Manager</u>
SIGNATURE: 	DATE: <u>6/26/2008</u>

(This space for State use only)

COPY SENT TO OPERATOR

(5/2000)

Date: 7-14-2008

(See Instructions on Reverse Side)

Initials: KS

RECEIVED

JUN 26 2008

DIV. OF OIL, GAS & MINING

**APPROVED BY THE STATE
OF UTAH DIVISION OF
OIL, GAS AND MINING**

DATE: 7/10/08

BY: 

* Well Completion Report Should be Submitted upon Completion & Testing

UTAH DIVISION OF OIL, GAS AND MINING

NOTICE OF REPORTING PROBLEMS

Operator: NAE, LLC Account: N3440 Today's Date: 10/23/2008

Problems:

- ☒ Late Report(s)
- ☐ Inaccurate Report(s)
- ☐ Incomplete Report(s)
- ☐ Other: _____

Failure to submit reports in a timely, accurate, and complete manner may result in the issuance of a Notice of Violation by the Division of Oil, Gas and Mining, and may result in the Division pursuing enforcement action as outlined in Rule R649-10, Administrative Procedures, and Section 40-6-11 of the Utah Code.

To avoid compliance action, these reporting problems should be resolved within 7 days.

Send reports to:

Utah Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
P.O. Box 145801
Salt Lake City, Utah 84114-5801

Fax to:

(801) 359-3940

16 215 182

Type of Report	Month(s) of Problem Report		
<input type="checkbox"/> Production – Form 10 <input type="checkbox"/> Disposition – Form 11 <input type="checkbox"/> Gas Plant – Form 13 <input type="checkbox"/> Enhanced Recovery – UIC Form 2 <input type="checkbox"/> Injection – UIC Form 3 <input type="checkbox"/> Other _____			
Type of Report	Well Name(s)	API Number(s)	Drilling Commenced
<input type="checkbox"/> Spud Notice – Form 9 <input checked="" type="checkbox"/> Drilling Reports – Form 9 <input type="checkbox"/> Well Completion Report – Form 8 <input type="checkbox"/> Other _____	Cactus Rose 16-11-2118 <input type="checkbox"/> List Attached	4301931546	08/16/2007

Description of Problem:

Per R649-3-6 2.4 The operator shall submit a monthly status report for each drilling well on Form 9, Sundry Notice and Reports on Wells. The report should include the well depth and a description of the operations conducted on the well during the month.

If you have questions or concerns regarding this matter, please contact Rachel Medina at (801) 538-5260 .

cc: Compliance File
RAM
Well File
CHD

7/17/2008 Break down perfs from 2922'-2932' with No. 2 Red Off-Road diesel. Run DFIT test. Pump 1000 gal diesel.

7/16/2008 Repair valves on Halliburton truck. Pump 20 bbls of diesel to fill casing. Perform Diagnostic Fracture Injection Test (DFIT) with Halliburton. Begin pumping at 4.5 bpm. Formation broke over at 2872 psi. Continue pumping at 5 bpm. Pressure dropped to 2526 psi then to a steady injection pressure of 2135 psi. Pump 1000 gallons of No. 2 red off-road diesel into formation. Shut down pumps.

ISIP = 1954 psi. 5 minute = 1777 psi. 10 minute = 1768 psi. 15 minute = 1763 psi. 30 minute = 1757 psi. 120 minute = 1735 psi.

Shut-in well and record pressure after 2 hours. RD Stinger wellhead protection system. LD tubing (47 stands + 51 joints) onto ground in doubles. Install gauges and recording devices on wellhead to monitor pressure for 24-48 hours.

599 bbls of new diesel on location. 508 bbls in slop tank, mostly diesel. Will try to get a cut on the slop tank today. 209 bbls of water on location.

Will record 24 hr shut-in pressure today at 1000 hrs.

7/15/2008 MIRU Halliburton Wireline service to perforate. RU On-Site Safety Fire Protection crew. Perf Upper Mancos Shale with 3-18" carrier guns with 22.7 gm Titan charges with 37" of penetration and 0.36" EHD at 3 spf and 120° phasing from 2922'-2942'. Well on slight vacuum after perforating. TIH with tubing. Swab well down. No fluid entry. Load hole with No. 2 Red Off-Road diesel. POOH with tubing. WO Halliburton. RU Stinger 10M pai wellhead isolation tool. RU Halliburton to perform DFIT. Test Halliburton lines to 7000 psi. Lines would not hold pressure. Pressure leaking off at 20-90 psi per minute. Retest lines several times. Abandon pressure testing operations at 2230 hours. Will get new Halliburton equipment out in the morning and retest lines to perform DFIT.

7/14/2008 TOOH w/ 2.875" tubing. 2972' of tubing (95 joints). TIH w/ tubing and set retrievable bridge plug @ 2975'. Circ hole clean w/ 65 barrels of diesel. TOOH w/ tubing. Test bridge plug to 1000 psi for 15 minutes. No bleed off.

7/13/2008 MIRU Professional Well Service Rig #1. Rig up. Lay line to slop tank. Well had 300 psi on the tubing and the casing. Blow down well in 3 minutes. Well made 5 gallons of fluid/mist.

7/12/2008 Shut down for Sunday.

7/11/2008 Move rig to Crescent Junction, UT. Rig broke down. Stay the night in Crescent Junction and repair rig.

7/10/2008 Mobilize Professional Well Service Rig #1 from Farmington, NM to Dove Creek, CO.

Cactus Rose 16-11-2118
21S 18E 16

- 8/5/2008 Well shut in overnight. Arrive on location @ 0600 hours. Tubing pressure = 0 psi. Casing pressure = 16 psi. Found fluid level at 2300'. Make 10 swab runs and recover 20 bbls of fluid. Fluid appears to be very dark and oily. Analysis of fluid from yesterday's recovery should be completed by Friday. Halliburton's results from centrifuge of sample indicates no solids and after 2 hours of centrifuging, no separation of fluids, indicating the oil from the formation and the diesel are miscible. Total load = 785 bbls. Total load recovered = 530 bbls. Load left to recover = 255 bbls.
- 8/4/2008 Arrive on location at 0600 hrs. Tubing pressure 16 psi. Resume swabbing operations and make 17 swab runs. Tag FL @ 1700'. Recover 28 bbls of fluid with a suspected 20% oil cut and 80% diesel cut. No water evident. Slight presence of gas. Total load = 785 bbls of diesel and frac chemicals. Total fluid recovered to date = 510 bbls (65% of load recovered). Two fluid samples sent to Halliburton lab yesterday. Fluid samples will be sent to Grand Junction Laboratories tomorrow for detailed analysis including a breakdown of the fluid components.
- 8/3/2008 Arrive on location at 0600 hrs. Begin swabbing bopérations. Fluid level found at 1700'. Make 17 swab runs. Recover 61 bbls of load. Fluid recovered is turning darker colored and showing signs of formation oil. There is a slight amount of gas present. Total load ~ 785 bbls. Total fluid recovered 482 bbls (61.4% recovery). SDFN.
- 8/2/2008 Arrive on location at 0600 hrs. Made 17 swab runs. Total load recovered = 93 bbls of red diesel.
- 8/1/2008 Arrive on location at 0600 hours. Casing pressure = 1725 psi. Well was shut-in overnight to allow gel to break after frac job. Calculated 3.5 hours to break at 110 deg F. Fluid was broken when arrived at wellsite at 0600 hrs. Open well on 1/4" choke and flow back 322 bbls of red diesel in 23 hours. Pressure dropped to 4 psi. Shut well in for night.
- 7/31/2008 Arrive on location at 0600 hours. Make up Stinger 10M psi wellhead isolation tool. Rig up On-Site Safety Fire Protection crew and equipment. MIRU Halliburton frac equipment. 967 bbls on No. 2 Red Off-Road Diesel on location in 2- 500 bbl frac tanks. Fill Halliburton lines with 3% KCl water. Pressure test lines to 7500 psi. No leaks. Flush test water to reserve pit. Load Howco lines with diesel. Prime Howco pumps. Second tote of breaker not feeding properly to blender. Shut down for repairs. Blender operators spilled breaker on himself and was taken to Grand Junction for medical attention. WO parts for blender from Howco in Grand Junction. Parts arrived and were replaced. Begin frac operation. Pump 7528 gallons of No. 2 Red Diesel as a pad. Pump at 25 bpm at an average of 2772 psi. Initial pump-in pressure was 2978 psi. Formation broke down at 2872 psi. Stage 1: Pump 4004 gal of proppant laden gelled-diesel at 25 bpm with 10 gal/1000 gal breaker and 8 gal/1000 gal of gelling agent and crosslinker with 0.50 ppg of 20/40 sand. Stage 2: Pump 4014 gallons of proppant laden gelled-diesel at 1.0 ppg sand at avg treating pressure of 2634 psi and 25 bpm. Stage 3: Pump 5225 gallons of proppant laden gelled-diesel at 2.0 ppg at avg pressure of 2547 psi and 25 bpm. Stage 4: pump 4019 gallons of proppant laden gelled-diesel at 3.0 ppg at 2464 psi at 25 bpm. Stage 5: Pump 4251 gallons of proppant laden gelled-diesel at 4.0 ppg at 2404 psi at 25.0 bpm. Stage 6: Pump 2856 gallons of No. 2 Red Diesel to flush sand to top perf. Total fluid pumped 31,906 gallons (760 bbls). Total sand placed in formation 42,000 pounds. ISIP= 2222 psi. Frac gradient = 1.12 psi/ft. Final displacement pressure 2474 psi @ 22 bpm.
- 7/30/2008 Well was shut-in overnight. Arrive on location @ 0600 hrs. Casing pressure was 800 psi. Open well and flow 2 bbls of red diesel to slop tank. SDFN.
- 7/29/2008 Well had 1600 psi @ 0700 hours. Open well to flow back. Pressure bled from 1600 psi to 10 psi in 5 min. Flowed back 4 bbl of diesel into slop tank. No gas reported. Prepare to frac well in morning with ~38,000 gal of gelled diesel and 42,000 pounds of 20/40 sand.
- 7/28/2008 Finish MIRU. PU tubing off the ground. Receive 13,000 gallons of No. 2 Off-Road diesel. Total diesel on location = 978 bbls (41,076 gallons). Total fluid in slop tank = 437 bbls (18,354 gallons) oil-cut diesel. Drain 50 bbls of water from bottom of slop tank.
- 7/25/2008 MIRU Professional Well Services Rig #1. Halliburton sandmaster in way of rig up. Wait 12 hours on rigging up.

Pressure on well = 1617 psi

8/19/2008 Finish installing production equipment, and prepare to begin pumping well.

8/18/2008 Build tank battery. NU flow line. NU gas vent line. NU wellhead. Set equipment.

8/17/2008 Build tank battery. Dig trenches. Hook up drain lines on tanks.

8/16/2008 Modify location pad to accept production equipment. Move in and begin installation of production equipment acquired from Samson 32-3 well.

8/15/2008 Tear down production equipment from Samson 32-3 well. NAE paid 40% of the value of the new equipment when installed on the Samson well. Check under the "Wells" tab above under CR 16-11-2118 "Staff Files" for a detailed list of the equipment to be purchased from Samson and their asking price (100% of booked value).

8/14/2008 Well shut-in waiting on production equipment. Tear down pumping unit, separator, and tanks from Samson 32-3 well and prepare to move and install equipment on CR 16-11-2118.

8/13/2008 Well shut-in waiting on production equipment. Tear down pumping unit, separator and tanks from Samson 32-3 well and prepare to move to CR 16-11-2118.

8/12/2008 Arrive on location @ 0600 hours. Held safety meeting- running rods. Finish running 2-7/8" J55 8rd EUE tubing. Land tubing @ 2940' EOT. Ran 93 joints tubing, 15' mud anchor on bottom w/ 2.25" seating nipple @ 2935'. Rod up w/ 116 3/4" rods. Run 12"x2.5"x1.25" RHAC pump. RDMO Professional Well Service Rig #1. Move rig to State MSC 16-1.

8/11/2008 Arrive on location at 0600 hrs. Csg pressure= 16 psi. Tbg pressure= 0 psi. Held safety meeting- tripping pipe. Found fluid level @ 500'. Make 13 swab runs. Recover 61 bbls fluid. Fill hole with 54 bbls of slop tank fluid (diesel & crude). Rig up pump. Circulate out sand from 2932'-2972'. POOH w/ tubing. MU 15' mud anchor and 2.25" seating nipple. Begin TIH w/ tubing. Total load = 785 bbls. Total load recovered = 607 bbls. Load left to recover = 178 bbls. 78% of load recovered. Obtain sample of fluid swabbed out of well and send to EnviroChem Analytical Labs in Grand Junction for analysis. Last sample analyzed showed 35.6 deg API gravity and a significant amount of heavy (C18+) ends. Fluid was not waxy or paraffinitic.

8/10/2008 Rig crew on days off. Waiting on delivery of rods.

8/9/2008 Rig crews on days off. Waiting on delivery of rods.

8/8/2008 Rig crew on days off. Waiting on rods.

8/7/2008 Rig crew on days off. Waiting on rods.

8/6/2008 Well shut-in overnight. Arrive on location at 0600 hours. Tubing pressure = 0 psi. Casing pressure = 16 psi. Swab run #1 recovered 14 bbls fluid. Swab run #2 recovered 2 bbls fluid. Shut well in until Monday am. Total recovery 16 bbls fluid from 0700 hours through 1100 hours (4 hours). Estimate oil cut of 20% diesel cut of 80%. Samples sent to EnviroChem Analytical lab for analysis and should have results by Friday or Monday of next week. Estimated fluid entry at this time is 20-40 bfpd.



Well Name: Cactus Rose 16-11-2118
AFE: Completion AFE Cactus Rose
Operator: North American Exploration, LLC

Daily Activity Summary
Field: Cactus Rose Unit
County/Parish/State: Grand/Utah
Contractor: Professional Well Service
Date: 5/11/2009

9/1/2008 Start up pumping unit. Casing valve left open to tank to assist in allowing fluid to enter wellbore. Pumper will check well Tuesday morning, September 2, 2008. Well did not make any fluid for the first 45 minutes following start up of the pumping unit.

8/31/2008 Pumping unit shut down to allow fluid to enter wellbore. Casing valve left open to assist in allowing fluid to enter wellbore. Pumper will not check well again until Tuesday, September 2, 2008. Well made 0 barrels of fluid in 24 hours.

8/30/2008 Pumping unit shut down to allow fluid to enter wellbore. Casing valve left open to assist in allowing fluid to enter wellbore. Pumper will not check well again until Tuesday, September 2, 2008. Well made 0 barrels of fluid in 24 hours.

8/29/2008 Pumping unit shut down to allow fluid to enter wellbore. Casing valve left open to assist in allowing fluid to enter wellbore. Pumper will not check well again until Tuesday, September 2, 2008. Well made 0 barrels of fluid in 24 hours.

8/28/2008 Pumping unit shut down to allow fluid to enter wellbore. Casing valve left open to assist in allowing fluid to enter wellbore. Pumper will not check well again until Tuesday, September 2, 2008. Well made 0 barrels of fluid in 24 hours.

8/27/2008 Well produced 0 barrels of fluid in 24 hours. Appears to pumper to be mostly formation oil. No water. Very slight amount of gas. Not enough gas to run the pumping unit engine. 8 psi on casing gauge.

8/26/2008 Well produced 4 barrels of fluid in 24 hours. Appears to pumper to be mostly formation oil. No water. Very slight amount of gas. 7 psi on casing gauge. Load recovery is 704 barrels out of 839 barrels of load. Recovered 84% of load.

8/25/2008 Well produced 6 barrels of fluid in 24 hours. Appears to pumper to be mostly formation oil. No water. Very slight amount of gas. 7 psi on casing gauge.

8/24/2008 Well produced 6 barrels of fluid in 24 hours. Appears to pumper to be mostly formation oil. No water. Very slight amount of gas. 7 psi on casing gauge.

8/23/2008 Well produced 8 barrels of fluid in 24 hours. Appears to pumper to be mostly formation oil. No water. Very slight amount of gas. 4 psi on casing gauge.

8/22/2008 Well produced 21 barrels of fluid in 24 hours. Appears to be mostly formation oil. No water. Very slight amount of gas. 4 psi on casing gauge.

8/21/2008 Well produced 31 barrels of fluid in 24 hours. Significant amount of formation fluid. No water. No gas. 0 psi on casing.

8/20/2008 AFE #08-012R is closed out. First day of production. Make 20 barrels of fluid in 12 hours. Fluid appears to contain a significant amount of formation oil mixed with some frac fluid. Will send samples to Houston lab for analysis.

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

AMENDED REPORT ☐ FORM 8
(highlight changes)

WELL COMPLETION OR RECOMPLETION REPORT AND LOG

[illegible]

15000

(CONTINUED ON BACK)

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MAY 19 2009

DIV. OF OIL, GAS & MINING

31. INITIAL PRODUCTION

INTERVAL A (As shown in Item #26)

DATE FIRST PRODUCED		TEST DATE		HOURS TESTED		TEST PRODUCTION RATES →	OIL - BBL	GAS - MCF	WATER - BBL	PROD METHOD
CHOKE SIZE	TBG. PRESS	CSG PRESS	API GRAVITY	BTU - GAS	GAS-OIL RATIO	24 HR PRODUCTION RATES →	OIL - BBL	GAS - MCF	WATER - BBL	INTERNAL STATUS

INTERVAL B (As shown in Item #26)

DATE FIRST PRODUCED		TEST DATE:		HOURS TESTED:		TEST PRODUCTION RATES	OIL - BBL	GAS - MCF	WATER - BBL	PROD METHOD
CHOKE SIZE	TBG PRESS	CSG PRESS	API GRAVITY	BTU - GAS	GAS/OIL RATIO	24 HR PRODUCTION RATES	OIL - BBL	GAS - MCF	WATER - BBL	INTERVAL STATUS

INTERVAL C (As shown in Item #26)

DATE FIRST PRODUCED		TEST DATE		HOURS TESTED		TEST PRODUCTION RATES	OIL - BBL	GAS - MCF	WATER - BBL	PROD METHOD
CHOKE SIZE	TBG PRESS	CSG PRESS	API GRAVITY	BTU - GAS	GAS-OIL RATIO	24 HR PRODUCTION RATES	OIL - BBL	GAS - MCF	WATER - BBL	INTERVAL STATUS

INTERVAL D (As shown in Item #26)

INTERVAL STATUS (See Appendix 1, page 20)										
DATE FIRST PRODUCED		TEST DATE		HOURS TESTED		TEST PRODUCTION RATES	OIL - BBL	GAS - MCF	WATER - BBL	PROD METHOD
CHOKE SIZE	TBG PRESS	CSG PRESS	API GRAVITY	BTU - GAS	GAS-OIL RATIO	24 HR PRODUCTION RATES	OIL - BBL	GAS - MCF	WATER - BBL	INTERVAL STATUS

32. DISPOSITION OF GAS (Sold, Used for Fuel, Vented, Etc.)

Any gas produced was vented, however, there was a very minimal amount of gas produced.

33. SUMMARY OF POROUS ZONES (Include Aquifers):

Show all important zones of porosity and contents thereof. Correlate intervals and all drill-stem tests, including depth interval tested, cushion used, time tool open, flowing and shut-in pressures and recoveries.

34. FORMATION (Log) MARKERS:

Formation	Top (MD)	Bottom (MD)	Description, Contents, etc.	Name	Top (Measured Depth)
see previous completion report				see previous completion report	

35. ADDITIONAL REMARKS (Include plugging procedure)

This well is currently shut-in and will likely require to be plugged and abandoned.

36. I hereby certify that the foregoing and attached information is complete and correct as determined from all available records.

NAME (PLEASE PRINT) Walter LowryTITLE ConsultantSIGNATURE DATE 4/25/2009

This report must be submitted within 30 days of

- completing or plugging a new well
- drilling horizontal laterals from an existing well bore
- recompleting to a different producing formation
- reentering a previously plugged and abandoned well
- significantly deepening an existing well bore below the previous bottom-hole depth
- drilling hydrocarbon exploratory holes, such as core samples and stratigraphic tests

* ITEM 20: Show the number of completions if production is measured separately from two or more formations.

** ITEM 24: Cement Top - Show how reported top(s) of cement were determined (circulated (CIR), calculated (CAL), cement bond log (CBL), temperature survey (TS)).

Send to: Utah Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801

Phone: 801-538-5340

Fax: 801-359-3940

(57502)

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

FORM 6

ENTITY ACTION FORM

Operator: NAE, LLC Operator Account Number: N 3440
Address: 110 SIXTEENTH ST, SUITE 1220
city DENVER
state CO zip 80202 Phone Number: (303) 327-7169

Well 1

API Number	Well Name		QQ	Sec	Twp	Rng	County
4301931546	CACTUS ROSE 16-11- <u>2118</u>		SESW	16	21S	18E	GRAND
Action Code	Current Entity Number	New Entity Number	Spud Date		Entity Assignment Effective Date		
E	<u>16416</u>	<u>16416</u>	9/10/2004		<u>9/2/09</u>		
Comments: <u>Recompleted in the Mancos formation on 2/2/2008</u> <u>WINGT</u>							

Well 2

API Number	Well Name		QQ	Sec	Twp	Rng	County
Action Code	Current Entity Number	New Entity Number	Spud Date		Entity Assignment Effective Date		
Comments:							

Well 3

API Number	Well Name		QQ	Sec	Twp	Rng	County
Action Code	Current Entity Number	New Entity Number	Spud Date		Entity Assignment Effective Date		
Comments:							

ACTION CODES:

- A - Establish new entity for new well (single well only)
- B - Add new well to existing entity (group or unit well)
- C - Re-assign well from one existing entity to another existing entity
- D - Re-assign well from one existing entity to a new entity
- E - Other (Explain in 'comments' section)

MARK GRUMMON

Name (Please Print)

Mark Grummon

Signature

EXECUTIVE VP

Title

9/1/2009

Date

RECEIVED

SEP 02 2009

DIV. OF OIL, GAS & MINING



GARY R. HERBERT
Governor

GREGORY S. BELL
Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

February 22, 2011

Certified Mail No. 7004 1160 0003 0190 4857

DIVISION ORDER

North American Exploration, LLC
38C Grove Street
Richfield, CT 06877

43 019 31546
21S 18E 16

Subject: Division Order to Plug and Abandon the Cactus Rose MSC 2-1, Cactus Rose 16-11-2118, SVA 23-33-2119 and State MSC 35-1 wells operated by North American Energy, LLC

To Whom It May Concern:

The Division of Oil, Gas and Mining (the Division) received notice of North American Exploration, LLC (NAE) Chapter 7 Bankruptcy, District of Delaware (Case 10-13199) on January 12, 2011.

Due to the bankruptcy the Division is concerned with NAE's future ability to continue operating within the legal and financial constraints of the Utah Oil and Gas Conservation Act. NAE is required to be able to meet its duty to plug each dry or abandoned well, prevent waste or pollution, and maintain and restore each well site (Utah Code § 40-6-5 and rule R649-3-1.2).

The Cactus Rose MSC 2-1, Cactus Rose 16-11-2118, SVA 23-33-2119 and State MSC 35-1 wells are all currently in shut-in status. In addition, these wells are in noncompliance with Oil and Gas Conservation General Rule R649-3-36 (Shut-in and Temporarily Abandoned Wells).

The Division is hereby ordering NAE to Plug and Abandon the Cactus Rose MSC 2-1 (API 43-019-31402), Cactus Rose 16-11-2118 (API 43-019-31546), SVA 23-33-2119 (API 43-019-31595) and State MSC 35-1 (API 43-019-31404) wells.

The wells shall be plugged in accordance with R649-3-24. Within 30 days of receipt of this order NAE shall submit notices of intent sundries, for Division approval, to plug and abandon each well.



Page 2

North American Exploration, LLC

February 22, 2011

Therefore, NAE has 30 days from receipt of this Order to enter into an agreement for execution of the Order.

NAE has the right to appeal the Division Order by filing to the Board of Oil, Gas and Mining a request for review according to procedures set forth in R649-10-6. A request for review of a Division Order must be filed with the secretary to the Board, Julie Ann Carter (801) 538-5277, within 30 days of issuance of the order.

In the event NAE does not respond to the Division Plugging and Abandonment Order, within 30 days of receipt, the Division will file for a formal hearing before the Board of Oil, Gas and Mining, as described in the Utah Administrative Code R641, requesting a Board Order to plug and restore the well sites. Should this matter be brought before the Board, the Division will seek bond forfeiture (R649-3-1.16) and liability for plugging costs in excess of bond forfeiture amounts (R649-3-1-4).

Questions regarding this order may be directed to Clinton Dworshak, Compliance Manager at (801) 538-5280 or Dustin Doucet, Engineer, at (801) 538-5281.

Sincerely,



Clinton Dworshak
Compliance Manager

CLD/js

cc: John Rogers, Associate Director
Steve Alder, Assistant Attorney General
Dustin Doucet, Engineer
Randy Thackeray, Lead Auditor
LaVonne Garrison, SITLA
Bill Kreussling, NAE, LLC
Michael S. Cornish, MSC Exploration
James Jones, Tidewater Oil and Gas
United States Bankruptcy Court
Compliance File
Bond File
Well File



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Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

October 25, 2011

Certified Mail 7010167000148103133

Dodie Lilley
Wells Fargo Bank
MAC T5916-011
21314 Kuykendahl Road
Spring, TX 77379

SUBJECT: Claim Against CDs 9398350612, 9398350620, 9398350596 and 9398350604 issued by Wells Fargo Bank, as Surety on behalf of NAE, LLC, as Principal

Dear Ms. Lilley:

21S 18E 16

This letter serves as a claim against the referenced CDs by the Utah Division of Oil, Gas and Mining ("the Division"). North American Exploration, LLC aka NAE, LLC ("NAE") is the operator of record for the SVA Unit 23-33-2119 Well (API 43-019-31595); Cactus Rose MSC 2-1 (API 43-019-31402); State MSC 35-1 (API 43-019-31404) and Cactus Rose 16-11-2118 (API 43-019-31546) ("the wells"). NAE has defaulted on conditions set forth in the referenced bond as follows: (bond copies attached)

"NOW THEREFORE, if the above bound principal shall comply with all of the provisions of the laws of this State, and the rules and regulations and orders of the Division of Oil, Gas and Mining of the State of Utah, including, but not limited to the proper plugging of said well(s), and filing with the Division of the State, all notices and records required by said office, then this obligation is void, otherwise the same shall be in full force and effect."

NAE has failed to reply to or comply with our demands for compliance with the Shut-in/Temporarily Abandoned Well Requirements and Notice of Violation ("NOV") letters regarding noncompliance with Division Rule R649-3-36, Shut-in and Temporarily Abandoned Wells. A Division Order to plug the well was dated February 22, 2011. Copies of those letters and the return receipts are available upon request.

The Division has reviewed the Utah Division of Corporations and Commercial Code concerning the whereabouts of NAE without success.

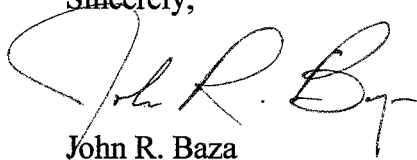
Page Two
Wells Fargo Bank
October 25, 2011

NAE filed Chapter 7 Bankruptcy on January 12, 2011; the Trustee's Abandonment of Estate Property for the wells dated July 15, 2011 and August 24, 2011 are attached. Alyse Aruch representing the Chapter Trustee sent authorization to release the CDs to the Division dated September 20, 2011. Therefore, the Division has concluded that NAE is defunct as the operator of the wells and that the wells have been abandoned.

The Board of Oil, Gas and Mining ("the Board") has ordered the CDs be claimed to resolve the matter. The Division therefore requests Wells Fargo to surrender of the CDs along with any accrued interest payable to the "State of Utah, Division of Oil, Gas & Mining" to plug the wells and reclaim the well locations. Upon receipt of certified funds, Wells Fargo is hereby relieved of responsibility to protect the funds for the Division

Due to the presence of potential environmental hazards at the well site, the Division appreciates your prompt attention to this matter. If you have any questions, please contact Dustin Doucet, Petroleum Engineer at (801) 538-5281 or John Rogers, Associate Director – Oil and Gas Program at (801) 538-5349.

Sincerely,



John R. Baza

Director

Division of Oil, Gas and Mining

Attachments (5)
JRB/jr/rt/er

cc: James T. Jensen, Board Chairman (via e-mail)
Steve Alder, Assistant Attorney General (via e-mail)
Alyse M. Aruch, McCarter & English (via e-mail)
John Rogers, Associate Director (via e-mail)
Dustin Doucet, Petroleum Engineer (via e-mail)
LaVonne Garrison, SITLA (via state mail)
NAE, LLC Certified Mail 70101670000148103140
Bond File
Well Files

RELEASE

WHEREAS, NAE, LLC ("Operator"), as principal and Wells Fargo Bank ("Bond Agent"), as bond, issued Certificates of Deposits (CDs) numbered 9398350612, 9398350620, 9398350596 and 9398350604 in the aggregate amount of One Hundred Fifty Thousand Dollars (\$30,000, \$60,000, \$30,000, \$30,000; totaling \$150,000) on November 25, 2009 in favor of the State of Utah, which CDs provided the State some assurance that certain wells would be plugged pursuant to the rules and regulations of the State of Utah.

WHEREAS, The State of Utah has made a demand on the operator and bond numbers under the referenced bond, claim number 222-15 in the amounts totaling \$150,000, pursuant to the terms of the bonds.

NOW, THEREFORE, in consideration of the payment of One Hundred Fifty Thousand and no Dollars (\$150,000), the State of Utah fully discharges and releases the bonds of any and all claims, whether known or unknown, relating to the obligation stated within the terms of the bonds. This release shall take full force and effect only upon receipt of certified funds by the State of Utah of the payment in the amount totaling \$150,000, referenced above.

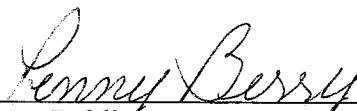
SIGNED AND SEALED this 25th day of October, 2011.

**THE STATE OF UTAH
DIVISION OF OIL, GAS AND MINING:**

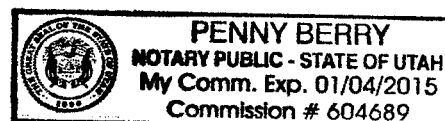
By: 
John R. Baza, Director

STATE OF UTAH)
) ss:
COUNTY OF SALT LAKE)

On the 25th day of October 2011, personally appeared before me, John R. Baza, who being duly sworn did say that he, the said John R. Baza, is the Director of the Division of Oil, Gas and Mining, Department of Natural Resources, State of Utah, and he duly acknowledged to me that he executed the foregoing release by authority of law on behalf of the State of Utah.


Notary Public
Residing at: Salt Lake

1/4/2015
My Commission Expires:



**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

<hr/> In re: NORTH AMERICAN EXPLORATION, LLC Debtor. <hr/>	: : : : : : : :	Chapter 7 Case No. 10-13199 (PJW) Related Docket No. 43
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ORDER GRANTING CHAPTER 7 TRUSTEE'S ABANDONMENT OF ESTATE PROPERTY

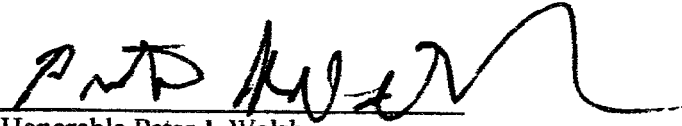
Upon consideration of the Proposed Notice of Abandonment of Estate Property (the "Notice") of the Chapter 7 Trustee for the entry of an order abandoning the estate property known as (1) Cactus Rose MSC 2-1 (API# 43-019-31402) ML 47721, (2) State MSC 35-1 (API# 43-019-31404) ML 47576, and (3) Cactus Rose 16-11-2118 (API# 43-019-31546) ML 47575 (the "Property"); and it appearing that the Court has jurisdiction over this matter; and it appearing that notice of the Notice was sufficiently provided, and that no other or further notice need be provided; and it further appearing that the relief requested in the Notice is in the best interest of the bankruptcy estate; and upon all of the proceedings had before the Court; and after due deliberation and sufficient cause appearing therefore, it is hereby

ORDERED that the Property is hereby abandoned; and it is further

ORDERED that the Chapter 7 Trustee is authorized and empowered to take all actions necessary to implement the relief granted in this Order; and it is further

ORDERED that this Court shall, and hereby does, retain jurisdiction with respect to all matters arising from or in relation to the implementation of this Order.

Dated: Aug 24, 2011
Wilmington, Delaware



The Honorable Peter J. Walsh
United States Bankruptcy Judge

September 20, 2011

VIA E-MAIL AND US MAIL

Steven F. Adler
Assistant Utah Attorney General
1594 West North Temple St. #300
Salt Lake City, Utah 84118

Re: In re North American Exploration, LLC
Chapter 7, Case No.: 10-13199 (PJW)

Alyse M. Aruch
Associate
T. 973.849.4157
F. 973.624.7070
aaruch@mccarter.com

Dear Mr. Adler:

As you know, this Firm represents Charles A. Stanziale, Jr. as the Chapter Trustee (the "Trustee") to North American Exploration, LLC (the "Debtor") in the above-referenced bankruptcy case. The Debtor is the designated operator of the oil and gas wells set forth below, each of which is located in Utah (the "Wells").


The Trustee understands that as operator, the Debtor is responsible for plugging and restoring the well site for each Well. The Trustee is aware that prior to filing its bankruptcy petition, the Debtor provided the Utah Division of Oil Gas & Mining (the "Division") with certain Certificates of Deposit (the "CDs") to be held by Wells Fargo Bank as bonds to secure the plugging and abandonment of the Wells as required by Utah state law. The amount and account number for each CD is set forth below. On February 22, 2011 the Division issues a Division Order requiring the plugging of the Wells. The Trustee has not and will not be taking any steps to plug the Wells.

	<u>Well</u>	<u>Account Number</u>	<u>Amount</u>
BOSTON	SVA Unit #23-33-2119	#9398350612	\$30,000
HARTFORD	State MSC 35-1	#9398350620	\$60,000
NEW YORK	Cactus Rose MSC 2-1	#9398350596	\$30,000
NEWARK	Cactus Rose 16-11-21182	#9398350604	\$30,000
PHILADELPHIA	On July 15, 2011 and August 24, 2011 the Bankruptcy Court entered two orders (the "Abandonment Orders") approving the Trustee's abandonment of the Wells. The Abandonment Orders authorized the Trustee to take any and all necessary action to implement the abandonment of the Wells.		
STAMFORD			
WILMINGTON			

September 20, 2011
Page 2

Pursuant to the Division Order and the Abandonment Orders, the Trustee hereby authorizes the Division to instruct Wells Fargo Bank to release the CDs to the Division.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Alyse M. Aruch', written over a horizontal line.

Alyse M. Aruch

FILED

OCT 13 2011

**SECRETARY, BOARD OF
OIL, GAS & MINING**

Steven F. Alder (00033)
Emily Lewis (13280)
Assistants Utah Attorney General
1594 West North Temple St. #300
Salt Lake City, Utah 84118
Telephone 801 538 5348

**BEFORE THE BOARD OF OIL, GAS, AND MINING
DEPARTMENT OF NATURAL RESOURCES
STATE OF UTAH**

IN THE MATTER OF THE DIVISION OF
OIL, GAS, AND MINING'S NOTICE OF
AGENCY ACTION FOR AN ORDER
FORFEITING TO THE STATE OF UTAH
ALL INTEREST IN THE CERTIFICATES
OF DEPOSIT #9398350612, #9398350620,
#9398350596, AND #9398350604 BEING
HELD BY WELLS FARGO BANK FOR
AND ON BEHALF OF THE STATE OF
UTAH AS SURETY FOR THE PLUGGING
AND ABANDONMENT OF THE
FOLLOWING WELLS OPERATED BY
NORTH AMERICAN EXPLORATION,
LLC: SVA UNIT #23-33-2119, STATE MSC
35-1, CACTUS ROSE MSC 2-1, AND
CACTUS ROSE 16-11-2118; ALL IN
GRAND COUNTY, UTAH

**FINDINGS OF FACT,
CONCLUSION OF LAW,
AND ORDER**

Docket No. 2011-016

Cause No. 222-15

The foregoing titled Notice of Agency Action (NAA) filed by the Utah Division of Oil Gas & Mining, ("Division") seeking an Order of the Board requiring that North American Exploration proceed to forfeit the bonds provided for the purpose of plugging the wells and a reclaiming the well sites, and other relief came on for hearing on Thursday, September 29, 2011 at a regularly scheduled meeting of the Board.

The Following members of the Board were present and participated in the hearing: Ruland J. Gill, Jr., Kelley L. Payne, Charles D. Hansen, Carl F. Kendell, and James T. Jensen, Chairman. Michael Johnson, Assistant Attorney General represented the Board. Division employees, Clinton Dworshak, and Earlene Russell provided testimony and presented evidence in support of the NAA. The Division was represented by Steven F. Alder, Assistant Utah Attorney General. No persons appeared on behalf of the Respondent, North American Exploration or any other party in opposition to the NAA. The Board heard the testimony and reviewed the pleadings and exhibits presented and being fully apprised of the premises makes the following,

FINDINGS OF FACT

1. North American Exploration, LLC a/k/a NAE, LLC ("NAE") is a Delaware corporation qualified to do business in Utah.

2. NAE is the designated Operator of the following oil and gas wells drilled at the following locations in Grand County, Utah:

SVA Unit #23-33-2119	Section 33 Township 21 S, Range 19 E, SLM
State MSC 35-1,	Section 35 Township 21 S, Range 19 E, SLM
Cactus Rose MSC 2-1,	Section 2, Township 21 S, Range 18 E SLM, and
Cactus Rose 16-11-2118	Section 16, Township 21 S, Range 18 E, SLM.

3. NAE as Operator is responsible to plug the wells and restore the well sites for each of the above wells.

4. NAE as operator provided to the Division Certificates of Deposit (CDs) to be held by Wells Fargo Bank as bonds to secure the plugging and abandonment of the wells as required by

Utah code § 40-6-5(2)(f)(2011) and Utah Admin. Code R649-3-1(1), in the amounts and for the wells as shown below:

SVA Unit #23-33-2119	#9398350612,	\$30,000.00;
State MSC 35-1,	#9398350620,	\$60,000.00;
Cactus Rose MSC 2-1,	#9398350596,	\$30,000.00; and
Cactus Rose 16-11-21182.	#9398350604,	\$30,000.00.

5. For each CD provided to the Division as a bond for the costs of plugging and restoring the well site, NAE through its authorized agent executed a Collateral Bond agreement on the Division's form 4B which provides that the CD's is payable to the Director of the Division of Oil, Gas and Mining as agent of the State of Utah unless the well is properly plugged and well site restored.

6. For each CD provided to the Division as a bond, the Division was provided a Time Account Receipt/Disclosure (identifying the number and amount of the CD and indicating it is to be automatically renewed), a Time Account Maintenance Request, (indicating that the Payee is the director of the Utah Division of Oil Gas and Mining), a Time Account Detail (indicating that the CD are subject to a Hold), and a Hold Detail (indicating the Hold does not expire and that written authorization is required to remove the restraint).

7. NAE has filed a voluntary petition under Chapter 7 of the United States Bankruptcy code, in the United States Bankruptcy Court for the District of Delaware on October 1, 2010.

8. On February 22, 2011 the Division issued its Division Order requiring the plugging of the subject wells as required by the rules.

9. As a result of the filing of its voluntary Chapter 7 bankruptcy and the abandonment by the bankruptcy trustee of any interest in the wells for which the CD's are being held, the Operator NAE is without financial means to conduct plugging and site restoration.

10. NAE, as the operator; the bankruptcy trustee on behalf of NAE; and Dawn Trucking as assignees have not responded to the Division Order to plug the wells and restore the sites and have otherwise refused to plug the sites despite having the opportunity to do so.

11. On September 20, 2011 the bankruptcy trustee advised counsel for the Division by letter that it had abandoned all interest in the wells and any claims to the CD's and has authorized the Division to instruct Wells Fargo Bank to release the CD's to the Division.

CONCLUSIONS OF LAW

1. Proper and adequate notice of the hearing on the Division's NAA was given to North American Exploration d/b/a NAE, as operator; to the bankruptcy trustee on behalf of the operator and interests of the bankruptcy estate, if any; to Wells Fargo Bank as holder of the CD's, to Dawn Trucking Company as assignee; and to all other persons who may be entitled to notice under the rules of the Board.

2. NAE as Operator is responsible to plug the wells and restore the well sites for each of the above wells.

3. The Operator has refused and due to the bankrupt status is otherwise unable to complete plugging of the wells and reclamation of the well sites.

4. It is necessary and appropriate that the Board order that the following Certificates of Deposit which were provided as surety for the plugging of the wells and reclamation of the well sites be forfeited to the Division:

<u>Well</u>	<u>CD</u>	<u>Amount</u>
SVA Unit #23-33-2119	#9398350612,	\$30,000.00;
State MSC 35-1,	#9398350620,	\$60,000.00;
Cactus Rose MSC 2-1,	#9398350596,	\$30,000.00; and
Cactus Rose 16-11-21182.	#9398350604,	\$30,000.00.

5. It is appropriate and necessary that upon request by the Director that Wells Fargo Bank deliver to the Division the full face value of amount for each CD as shown above to be used by the Division to plug the wells and restore the sites as required by the Division's rules.

6. The Division is obligated to use the forfeited funds to effect the plugging of the wells and the restoration of the sites to the standards required by the Division's rules.

NOW THEREFORE, IT IS HEREBY ORDERED AS FOLLOWS:

1. The following Certificates of Deposit and any accrued interest held by Wells Fargo Bank and provided as surety for the plugging of the listed wells and reclamation of the well sites are ordered forfeited to the Division:

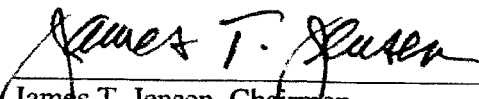
<u>Well</u>	<u>CD</u>	<u>Amount</u>
SVA Unit #23-33-2119	#9398350612,	\$30,000.00;
State MSC 35-1,	#9398350620,	\$60,000.00;
Cactus Rose MSC 2-1,	#9398350596,	\$30,000.00; and
Cactus Rose 16-11-21182.	#9398350604,	\$30,000.00.

2. The Division is Ordered to use all amounts forfeited to plug the above identified wells and reclaim the well sites to the standards required by the law.

3. The Division is authorized to make demand and to take any and all actions necessary to complete the forfeiture of the bonds, recovery of the amounts held as surety, and to effect the proper plugging of the wells and restoration of the well sites.

Dated this 13th day of October, 2011

STATE OF UTAH
BOARD OF OIL, GAS AND MINING


James T. Jensen, Chairman
1594 West North Temple, Suite 1210
Salt Lake City, Utah 84116

CERTIFICATE OF SERVICE

I hereby certify that I caused a true and correct copy of the foregoing FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER for Docket No. 2011-016, Cause No. 222-15 to be mailed with postage prepaid, this 14th day of October, 2011, to the following:

North American Exploration, LLC
38 C Grove Street
Ridgefield, CT 06877

Michael S. Johnson
Assistant Attorneys General
Utah Board of Oil, Gas & Mining
1594 West North Temple, Suite 300
Salt Lake City, UT 84116
[Via Email]

Steven F. Alder
Assistant Attorneys General
Utah Division of Oil, Gas & Mining
1594 West North Temple, Suite 300
Salt Lake City, UT 84116
[Via Email]

Annie D. Murphy
Counsel for Dawn Trucking Company,
Inc.
DUFFORD, WALDECK, MILBURN &
KROHN, LLP
744 Horizon Court
Grand Junction, CO 81506

Dodie Lilley
Wells Fargo Bank
MAC T5916-011
21314 Kuykendahl Rd
Spring, TX 77379

Debra Olson
16800 Imperial Valley Dr. Suite 380
Houston, TX 77060
[Undeliverable]

Debra Olson
c/o Opus Oil & Gas, LP
16770 Imperial Valley Dr
Houston, TX 77060-3400
[Undeliverable]

Charles A. Stanziale
Trustee in Bankruptcy
100 Mulberry Street
Four Gateway Center
Newark, NJ 07102

Alyse Aruch
McCarter & English, LLP
405 N. King St., Suite # 800
Wilmington, DE 19801

Wells Fargo Bank
Attn: Debra Hernandez
2352 North Belt
12941 I-45N
Houston, TX 77060

Michael S. Cornish
369 Florida Hill Rd.
Ridgefield, CT 06877

Charles Duffy
16800 Imperial Valley Dr, Suite 380
Houston, TX 77060
[Undeliverable]



Division of Oil, Gas and Mining

ORPHAN-NO RESPONSIBLE OPERATOR

CHANGE WORKSHEET (for state use only)

Operator Name Change/Merger

The operator of the well(s) listed below has changed, effective:	12/20/2011
FROM: (Old Operator): N3440- NAE, LLC	TO: (New Operator): N9999-Orphan-No Responsible Operator

Docket Number:	2011-016	Board: X		Division:				
Cause Number:	222-15							
WELL NAME	SEC	TWN	RNG	API NO	ENTITY NO	LEASE TYPE	WELL TYPE	WELL STATUS
CACTUS ROSE 16-11-2118	16	210S	180E	4301931546	16416	State	OW	S
CACTUS ROSE MSC 2-1	02	210S	180E	4301931402	14306	State	GW	S
STATE MSC 35-1	35	210S	190E	4301931404	14259	State	GW	S
SVA 23-33-2119	33	210S	190E	4301931595	17247	State	OW	S

DATA ENTRY:

1. Date bond received on:	12/20/2011
2. Changes entered in the Oil and Gas Database on:	11/30/2012
3. Date RBDMS changed to "Calimed" on:	12/20/2011

COMMENTS:

Per the Board of Oil, Gas and Mining well(s) moved to N9999 Orphan-No Responsible Operator for Division plugging.